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ROYAL COMM. ON COAL

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ROYAL COMMISSION ON COAL

Regina, Sask.,
Friday, April 20, 1945.
VOLUME XXX

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ROYAL COMMISSION ON COAL

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ROYAL COMMISSION ON COAL

Regina, Saskatchewan,
April 20th, 1945.

The Commission convened at the Court House at
10:00 o'clock A.M. on Friday, April 20th, 1945.

PRESENT: Hon. Mr. Justice W. F. Carroll, Chairman
Hon. Mr. Justice C. C. McLaurin, Commissioner
Angus J. Morrison, Esq., Commissioner
J. J. Frawley, K.C., Commission Counsel
Robert D. Howland, Secretary.

Mr. Crawford L. Thompson, General Manager of the
Manitoba and Saskatchewan Coal Company Limited presented the
following submission on behalf of his Company:

Exhibit No. 150 - Brief of Manitoba and Saskatchewan
Coal Company Limited.

MR. THOMPSON then read Exhibit No. 150, as follows:

"The Company has been operating in the business of coal mining in the Bionfait-Estevan area for some thirty-seven years on the same site. We own approximately nine sections of land, five and one-half of them covering both land and mineral rights and three and one-half of them mineral rights only. Some of these lands are subject to Crown royalty, others are not. So far as size and method of operation is concerned, from modest beginnings we have grown, until in our last fiscal year ended May 31, 1944, we produced some 445,000 tons of coal from two methods of operation, that is, part from the shaft mine and part from a strip mine. While our beginnings and indeed the greater part of our history are as a shaft operation, during our fiscal year ended as above mentioned, that is May 31st, 1944, we commenced stripping operations in a fairly large way and now have had nearly two years experience in this method of operation. It is largely as a shaft mine that we present this brief, as our experience in strip mining is not of sufficient length to enable us to make very many statements with respect to it. We will,

however, indicate our method of operation.

The coal area in the field seems to be a large oval shaped area, the mineable part ranging from nine feet to fourteen feet in thickness. Underground mining is generally reached by means of a shaft although there are some slopes in the field and one or two drift openings. So far as underground mining is concerned the standard practice is the room and pillar system, recovering about seven feet of the seam. More than this is not possible because of the fact that some coal must be left as a floor and taking more of the roof coal generally results in too high a timbering cost as the overburden is such that it requires a considerable support. The coal is undercut, sheared and shot down and loaded, either by mechanical loaders or by hand loaders. It is hauled underground by electric locomotives, hoisted, then screened over a modern five track tippie, largely into box cars. It is then hauled by company locomotives to Bienfait where it is taken over by either of the two railways and transported to its destination.

An estimate of our Company's mineable reserves is not possible to make with a degree of exactitude compatible with an investigation of this kind. Too many factors enter into the estimate and all we can state is that to the best of our knowledge and belief our company has sufficient coal reserves for approximately fifty years of operation at the present rate of extraction.

Our biggest problem at the shaft mine during the past few years has been a drop in average realization with an increasing production cost per ton. When it is noted that the average realization had dropped from \$1.71 in 1931 to \$1.36 in 1942, increased to \$1.46 in 1942-43, and again increased to \$1.56 in 1943-44, and our payroll costs have decreased 22¢ from 1931 to 1942, then increased 13¢ in 1942-43, and a further 18¢ in 1943-44, the extent of the problem will be realized. These figures, I might mention, we calculated on sold tonnage.

In addition to the increase in labor cost during the war years, material costs have also been higher which has added

to our cost per ton.

With one exception, the wage increases have not been met by an increase in price and theoretically the wage increase not compensated by price increase, is to be met by Governmental assistance in the form at present of a flat rate subsidy which for shaft mines is set at a maximum of 25¢ per ton produced.

Our drop in average realization is accounted for by the following situation - we have had a definite trend in the market towards the smaller and in the case of the shaft mine operation the less remunerative sizes, that is, what would commonly be called the steam sizes of coal. Coupled with this is the fact that in recent years particularly in order to make a size of coal satisfactory to the market the coal from $\frac{1}{2}$ " minus, which prior to approximately 1932 or 1933 had been included in our stoker size, is now screened out and is sold at a very low price. As an indication of this trend, in 1931 we sold 57,168 tons of coal, in what might be termed the coarse sizes, that is, 4" and up. This represented approximately 60% of our output for that year. For the year ended 31st May, 1944, we sold 77,709 tons of the same size, that is over 4", but this only represented slightly over 20% of our sold tonnage. In other words, our small coals, or the less remunerative sizes now represent 80% of the tonnage sold by our Company. This trend in sizes has been brought about partly by the industrial use of Saskatchewan lignite coal and it is an inevitable development of the increase of the size of the field and the large tonnages which account for that increase are obviously in this size of coal. It presents a problem which perhaps is not insurmountable but one whose solution is to say the least, difficult. So far as our Company is concerned, it has been partly met by an increase in mechanization underground, by a reduction in cost wherever it possibly could be made and to a lesser degree by a lengthening of the operating season. Certainly so far as the last two years are concerned, subsidy assistance has been an absolute necessity. For this current year it is very difficult for us to state at the present time exactly what our position is going to be.

Our program has been one of advancing with the times and perhaps in some cases being slightly in advance of them. So far as shaft mining is concerned, we have constantly mechanized our operation until today it is at what perhaps might be termed the peak of mechanization, that is, the peak so far as amount of equipment is concerned. One other item might be given consideration and that is the elimination of horse haulage by gathering locomotives. This would be a fairly expensive venture and at the present time is one which we do not care to make. Some of the equipment underground is not entirely new and consideration will require to be given in due course to its replacement. Certainly, however, there is little more we could do so far as additional equipment underground is concerned except that required for replacement and by means of extension of underground workings.

So far as our operation of a strip mine is concerned, we produced last year some 140,000 tons from a strip mine on a method of operation as follows - we contract with a dirt removing contractor to remove the overburden. We pay another contractor a flat rate per ton for loading the coal. From then on, in our operation, the coal is hauled by our own trucks, dumped, and then screened over a modern four track tippie into box cars, mostly, and then hauled by our own locomotives to Bienfait as in the case of our shaft coal. We have had little experience with this type of mining and therefore do not feel entirely qualified to speak on it, and as we know the Commission will be receiving other briefs from companies who have considerably greater experience in this method of operation than we have, we believe it will be sufficient for us to state our method of operation as above very briefly."

BY MR. FRAWLEY - How did you get into this strip mining?

A. To increase the production of coal at the request of the Merchants' Coal Production Board.

Q. And with their assistance?

A. To a certain extent. I think that is covered with the figures we have submitted.

MR. THOMPSON continues brief:

"Obviously, however, it is mechanization to the ultimate degree. We employ approximately 25 men in our strip operation and in that operation we can produce 1,200 tons in a ten hour day. Simple mathematics indicate that on this basis a man is producing 48 tons per man day so far as our company is concerned. We should point out, however, that this does not include the man days of the shovel operators or the man days of making the coal available which would naturally reduce this figure very considerably. So far as costs are concerned, I do not believe that any figure we have would be helpful to the Commission. We can say this, however, that inasmuch that all sizes of strip coal are sold at the same price the question of crushing to make industrial sizes does not have the same relation to the operation as a whole as it does in the shaft operation. Coarse coal at the shaft mine sells at \$2.25 per ton, f.o.b. the mine, and the stoker size sells at \$1.60 per ton, f.o.b. the mine, therefore, crushing coarse coal shows an immediate loss of 65¢ per ton, plus the loss made by reason of the extra bugdust caused through crushing. Bugdust or screenings as the size is properly known is sold at 75¢ per ton f.o.b. the mine.

Basically and briefly, to sum up, our shaft mine problem is one of decreasing average realization per ton, largely, through the trend to the smaller and less remunerative industrial sizes and an increasing cost per ton, largely because of wage increases not compensated by price increases which has been met to some extent by a mechanization program and subsidies.

Distribution

Since May, 1938, this Company has carried out the distribution of the coal we produce maintaining sales offices in Winnipeg, Brandon, Regina and Weyburn. In each of these offices we have a representative of the Company whose work it is to contact all dealers within his territory on behalf of the Company. Roughly speaking, the territories are divided as follows - Winnipeg covers all of Manitoba east of Portage la Prairie;

Brandon covers the remainder of Manitoba; Weyburn covers Saskatchewan roughly South and West to the Soo line and the Souris-Estevan branch in Saskatchewan; with Regina covering Regina and the rest of Saskatchewan territory.

So far as market area is concerned we are pretty well limited to a territory from Moose Jaw on the West to Winnipeg on the East, South to the International Border, and North to approximately the C.P.R. main line in Saskatchewan and fairly well all of Manitoba. This area is limited by freight rates and our experience is that Saskatchewan lignite cannot compete in the West with other Western coals where the freight rates gets to be more than approximately \$2.50. Obviously, as one goes west towards the other mining areas, their freight rate becomes less while ours becomes more and it is beyond approximately our \$2.50 rate where we feel that we are not on sound competitive ground, therefore, we do not attempt to push the sale of our coal in this outside area. However, within the area mentioned, that is, from Moose Jaw to Winnipeg, Saskatchewan lignite is the most economical fuel which can be purchased both from the point of view of the householder in dollars spent for heat value received, and from the point of view of the industrial user who can produce steam more cheaply with Saskatchewan lignite than any other coal which can be purchased.

So far as the method of distribution, it is simply this - our sales representatives call on all dealers and all steam plants in the territory they work in the interests of the Manitoba and Saskatchewan Coal Company, Limited, and the coal we produce. Our endeavor is to market as large a percentage of our output in coarse coal sizes as we possibly can, this, from the point of achieving the maximum in average realization. The dealers in each of the territories are encouraged to place their orders direct with our sales representatives who in turn place them directly with the mine. Under normal conditions shipment is made in the course of a few days and no problem of allotment arose, but, in the past few years where coal has been in short supply, we have followed a basis of allotment to each of our officers

and they in turn place their dealers under an allotment and our aim is to see that each of our customers receives the percentage of our output that his purchases bore to our shipments when we were not under allotment.

So far as advertising is concerned we have done a considerable amount of promotional work. We trademark our coarse coal with a green paint so that the customer can identify it immediately, and also so that he becomes accustomed to ask for green-marked coal. During the past two or three years we have not advertised to any extent because of market conditions but with a return to more nearly normal conditions we intend to continue our advertising program.

Touching on some of the highlights of our promotional work we had a complete moving picture made of the Company's mining operations underground which was shown at most theatres in the area we serve. We made this, firstly, to promote the sale of our coal, and secondly on the basis that very few people had seen coal mining operations underground and it would be a most interesting subject for them and from that point of view a very painless way of promoting the sale of our product. We still have this film and sometime in the future we intend to run it again with some additions covering our increased mechanization.

Then, we have done considerable work so far as newspaper advertising is concerned not only in the city newspapers but in the country newspapers. This advertising campaign has been handled through an advertising agency and they have contacted dealers from lists supplied by us advising the dealers of the advertising schedule, and in most cases the dealer has been pleased to "tie-in" to our advertisements with his own name. We pay for the general advertising campaign but so far as the "tie-ins" are concerned they are paid by the dealer.

Advertising give-aways have formed a part of our program but we find that they are not as efficient a means of promoting the sale of our product as they might be, and we doubt whether or not we will continue to use them to the same extent as in the past.

For your information, they have consisted of matches, pencils, scratch pads, all with our name and trade name of our coal and featuring the green-mark angle.

Our whole program so far as dealer contact is concerned is to sell the dealer on the product of our company. In other words, our representatives do not attempt to make single car sales for the sake of the sale alone. The whole program is based on the fact that we have a product of first quality backed up by a vigorous and sustained campaign which should result in continued and increased sales. In addition to this so far as our Company is concerned if any of our dealers have any difficulties with combustion problems we endeavor to give them all the assistance we possibly can. We have issued a folder on burning instructions which is available to them and in sufficient quantity to give to their customers. So far as the cities are concerned, even in the domestic market there is a definite trend towards the use of stoker coal and this has entailed possibly more service work on our part than heretofore, as in many cases stoker problems are individual with each householder.

In the industrial field our representatives are expected to be able to discuss with the plant engineer steam producing problems with a reasonable amount of intelligence and accuracy. By this I do not mean that they are what might be termed "qualified combustion engineers" but on the other hand they do have a very great deal of practical knowledge and so far as we are concerned it is our aim at all times to: firstly, keep a continued check on the operation of our coal in the plants which we now serve, and, secondly, wherever possible to further the use of Saskatchewan lignite in new installations and in older plants which can be changed over to its use. We have endeavored to keep informed of all the latest equipment for burning Saskatchewan lignite and also to co-operate with any and all manufacturers of the equipment so far as new installations are concerned.

So far as the question of research is concerned, a great deal of research has been done, but, on the other hand, little or none has been done on many of the problems facing our industry. A very considerable amount has been done on other phases, some of it perhaps in what might be termed a rather trial and error, informal manner, within the field itself, and largely by the field itself. Certain aspects of research have been more attractive to some companies than others. So far as our Company is concerned, it has always been and will continue to be our aim to keep informed of the latest methods of producing and preparing coal, the most advanced methods of burning our coal, and the most fruitful and sustaining methods of marketing our coal. We believe that we have contributed to all these fields of endeavor, and we will continue to do so.

I think that this outline of the distribution of our coal will give the Commission a clear idea of how we are attempting to handle the problem and what means we have taken to further the extension of the market for Saskatchewan lignite.

While on the question of distribution we might mention that since the Fall of 1939 we have acted as sales agents for Dominion Briquettes and Chemicals Limited, distributing their output of "Heat Glow" briquettes.

Our basis of handling this product has been very similar to the program we follow so far as our coal is concerned, that is, they are handled through each of our sales offices and at the present time we are on an allotment of briquettes which takes up the whole output of the plant and distributes it to the dealers who purchased briquettes from us when we were not under an allotment in the same percentage of the output as their purchases bore to the shipments when the whole output of the plant was not sold.

During the seasons 1939-40, 1940-41 and 1941-42 the sold tonnage of briquettes increased. During these years stocking terms were offered in the early Spring and Summer to persuade the dealers to take briquettes into stock in the early season, thus extending the operating time of the plant. In the season 1942-43,

our present method of allotment was instituted, and since that time the output of the plant for as many days in the year as it could work subject to its requirements for check-over and cleaning each year, has been sold, on the allotment basis. We have not taken on any new dealers for Heat Glow briquettes since we went on to the allotment basis, and indeed, have reduced the territory to which we ship briquettes, on the basis that we could not satisfactorily serve such a large market under present conditions.

Conclusion

This, then, is an outline of our operation in general. To repeat, so far as our shaft mine is concerned, the problem is one of decreasing realization and increasing cost. So far as the increased labor cost is concerned, perhaps we should include here a few figures regarding wage rates. In 1938 our common labor rate, both above ground and below ground, was 33 1/3¢ per hour. In 1939, December 10th, this rate was 40¢ per hour, both above ground and below ground. For the next two years cost of living bonus was paid but the rate remained the same and on October 1st, 1942, it was increased to 45¢ per hour both above ground and below ground and the cost of living bonus increased to 60¢ per day. Then, in December 1943, there was a further increase to 52½¢ per hour above ground, plus the full cost of living bonus, and 55¢ an hour underground plus the full cost of living bonus. Today, with the cost of living bonus in the wage rate, the common labor rate above ground is 60¢ per hour and underground 64½¢ per hour. Obviously, a total increase in wage rates such as indicated by these changes only one of which, that is, the wage increase effective December 1st, 1943, being compensated by a price increase, has brought with it a very considerable operating problem. Subsidy assistance is presumed to cover the wage increases not compensated by price increases, but since we have not had one full year's operation on the basis of the flat rate subsidy we are not able to state whether or not our position has been fully subsidized to the extent of the increase in wage cost.

From the facts which have been stated therefore, so far as shaft mine operations in the Saskatchewan lignite field are concerned under present conditions they are dependent on subsidy. In addition to the facts already included in this brief there are two further items which enter into our problem. The first of these is a sales problem in that we do have difficulty in disposing of all our screenings, our $\frac{1}{8}$ " minus coal. This has been a problem for some years as outlets for it are few and since the war few installations have been made for its use. However, they are now increasing and the immediate prospect is that in the next few years the total output of screenings will be used. We, ourselves, have had equipment installed to burn this size of coal for some six years, thus releasing approximately 10,000 tons of stoker and stove size coal for sale which formerly was required in our operation for our own use.

Then, there is the question of additional taxation. At the present time there are two items which will affect us considerably. Firstly, the change in the Workmen's Compensation Act which it is estimated will increase the cost to our operation by approximately one-third of the assessment, and the Saskatchewan Mineral Taxation Act. It is difficult to estimate what this Act will finally result in so far as tax is concerned but its effect on our operations is bound to be considerable, and where we are operating at a loss at the present time any increases such as these can only be met by passing the additional taxes along to the domestic consumer.

What the situation will be with the removal of price ceilings is questionable as there is a limit to the price which can be obtained for a low ranking coal, such as Saskatchewan lignite is admitted to be. So far as extension of the operating season for the domestic coarse sizes is concerned, it is not possible beyond its present limits. Since Saskatchewan lignite is a high moisture coal, obviously it does not store well, and can therefore not be mined very much ahead of actual requirements. At the present time we believe that the statement that we have an eight months domestic operating season is stretching the point as

far as it possibly can be stretched, and seven months plus perhaps one week would be closer to the actual situation. One point in the shaft operation's favor is that there is a very definite consumer preference for the domestic sizes of shaft coal as compared with the domestic sizes of strip coal but this we should point out is at present prices and it is small comfort to know that your product is preferred if that product cannot be produced at a price which will allow it to sell.

There are several other methods which might be a way to the solution of the problem. Firstly, we must assume that the best use is being made of present equipment, if not, then it must be brought to a maximum state of efficiency. Then, an extension of the operating season might mean that under conditions as they may exist following the end of the war, shaft operations could continue to operate at a profit.

We, perhaps, are in a little different position than most in that since 1937 we have had a tonnage of approximately 450 tons per day in one contract over and above our regular requirements. I refer to supplying Dominion Briquettes and Chemicals Limited with their raw coal. This in the first instance had the effect of increasing the length of our operating season by adding needed tonnage to both ends of what formerly was a six month busy season with four months part time and two months practically slack time. In addition, our possible output in the busy season then was such that we could produce this extra tonnage over and above that required by our regular market.

Since 1942, however, our tonnage has been such by reason of several factors, that we have not been able to take full advantage of this contract. All the tonnage we produced from our shaft mine could have been sold to accounts other than the briquette company with the possible exception of the normally quiet months, so that under conditions prevailing for the past two years it has not extended our operating season to the same extent it did in earlier years. However, in our opinion, we have sufficient experience to state that briquetting of an additional

tonnage of Saskatchewan lignite would extend the operating season. Of course, the capital cost of erecting a plant sufficient to make use of enough tonnage would be part of the problem.

Then again, some tests have been made of Saskatchewan lignate under hydrogenation processes. How successful they were and what place they would have in a post-war economy is difficult to say. Here, it would be more a case of experimentation and costs might be high. Certainly, so far as the carbonization problem is concerned, it has been proven that the briquettes are a success.

Following the relaxing of controls which may be some years away (and it would appear that at present so long as price control remains in effect subsidy assistance must be continued to maintain operations) and the possibility of the cost of living bonus now incorporated in the wage rate being deleted, some re-arrangement of prices might be required to enable continued shaft mine operation without subsidy. That there is some room competitively for an increase in shaft mine coarse coal prices is possible depending of course to some extent on the prices which will be required to enable competing fields to operate and also on the price of domestic strip sizes from the Saskatchewan lignite field. This would tend to increase the average realization and put the shaft mine in a position to operate profitably without subsidy.

Our brief has dealt with the immediate and pressing problems our Company has at the present time. Some of these are brought about by wartime conditions and their solution is part of the change over to peacetime conditions. Other problems which we have had in the past will again be with us with a return to normal conditions and some of them should perhaps be mentioned here.

The retail dealer is the backbone of the distribution of domestic coal throughout this country. Too often he is passed over or not given his due credit for the services he performs. He, too, has been passing through difficult times for somewhat the same reasons as ourselves. Price ceilings have had their

effect on his business and in some cases he is not securing the margins he should have on some of the coals he handles. In order that we may have a strong and capable means of distributing all domestic coals the retail dealer must be strong financially as unless he makes a reasonable profit on the goods he handles he cannot remain in business. This brings up the question of direct sales to domestic consumers in rural areas where a group may combine to purchase a car of coal between them. This has the result of lowering the dealer's profit and it takes the cream off the dealer's business. He is expected in 95% of the cases to carry a certain amount of coal in his sheds to take care of emergencies but by this method is by-passed on what might be termed the "easy" business. Present regulations of coal licensing cover this as at the present time coal cannot be purchased from a mine or wholesaler unless the purchaser has a fuel license and we would therefore recommend that great care be taken in granting these licenses and that the need for additional dealers in a district be considered before a license is granted.

Believing as we do that the problem of distribution has a great deal to do with the general problem of the mining industry in that if a more level period of operations could be secured many of our present problems would disappear we also wish to point out another item which if changed could result in a better period of operations.

In many cases, in rural areas particularly, the dealers are in the habit of selling at two prices, that is, one price for off-car deliveries and one price for coal taken from the bin, the spread usually being 25¢ per ton. As it is natural to attempt to purchase their coal at the lowest possible price customers usually endeavor to secure the off car price and the dealer therefore usually holds off ordering until such time as he can dispose of a whole car. This invariably means that weather is the controlling factor and with a sudden drop into cold weather every dealer orders, causing a rush of business, while perhaps during the previous period the mine may have only worked part time.

If the rural dealer had only one price the consumer would not be as liable to wait for a car to come in and the dealer would be more likely to order coal before his bin became empty thus levelling out the demand.

Finally, in most mining operations at some time or another coal is mined and put on track during the winter months without orders. If it is not moved rapidly then demurrage accumulates. We believe that something similar to the average demurrage rule should be applied as at least 75% of the cars shipped are shipped within one day of their being placed on the mining company's siding and the few cars which may remain beyond the allowed length of time would be more than balanced by the credit gained by the greater majority of the shipments and would again enable the operator to level out his operations and assist in reducing costs.

Reference has been made in this brief to the possible extension of the length of the operating season, from which labor stands to reap the greater benefit by reason of the fact that the longer period of employment would mean greater financial returns for the year's work. The elimination of the seasonal aspect would provide a more satisfactory working arrangement from the point of view of both the employees and the Company.

Recommendations

1. That a subsidy continue to be paid but that it be such that it will undoubtedly cover the additional labor costs brought about by Governmental action. This would have the same effect as an increase in our average realization, denied to us by price control and should cover the period when price ceilings are in effect. In other words, subsidy should be sufficient to leave the operation in the same position it would have been had the National War Labor Board not increased the wage rates or had prices been allowed to increase to cover the increase in wage rates.
2. That immediate consideration be given to some method of lengthening the period when the maximum daily operations are possible for the Saskatchewan lignite field. In view of the fact

that this coal does not store well this can hardly be by an extension of ordinary markets during the off season. Such a suggestion indicates processing of some kind. Perhaps it might indicate further exploration of the hydrogenation process as applied to Saskatchewan lignite. Perhaps it might entail the extension of the carbonizing and briquetting process in the field subject of course to the earlier proviso in both cases that capital expenditure permits of successful operation.

3. That care be exercised in the granting of licenses to enter the coal business.
4. That one price be encouraged for coal whether it be delivered off car or from the dealer's bin.
5. That an average demurrage rule be established.
6. That care be exercised in the disposal of surplus Crown equipment particularly R.C.A.F. equipment designed to burn Saskatchewan lignite to assure that it is used in the area logically served by the Saskatchewan field.

All of which is respectfully submitted."

MR. THOMPSON (Sworn as to facts) EXD. BY MR. FRAWLEY

Q. Frankly, I am a little confused. The burden of the submission seems to be that you are facing lower realization and increasing cost, because you say you have to go more and more into small sizes. That is what you say?

A. The decrease in realization comes from the increase in the percentage of small size coal? The small size coal itself has nothing to do with the increase in cost.

Q. Your decreased realization is due to the fact that you are selling more and more of the smaller sizes?

A. Correct.

Q. And you say you don't like that?

A. No, I don't say that.

Q. That is what I was confused about. Suppose you sell nothing but small sizes. That you had a Power Plant there and could sell every single ounce of coal to that one outlet, and they wanted nothing but smaller sizes. Would that be satisfactory?

A. Depending on what they paid.

Q. They pay 75¢ I understand.

A. That is bugdust, 1/2" minus.

Q. Could you operate if you had one customer that took nothing but small?

A. What size?

Q. Coal that could be pulverized and used most efficiently in power installation?

A. Any size coal can be pulverized.

Q. But there is an additional cost of crushing if you send them lump coal?

A. Yes.

Q. If you had only one customer and he wanted nothing but small, would your operation be successful?

A. Depending on the price the customer paid for the coal.

Q. Could you not so gear your operation to his needs?

A. Frankly, I cannot get what you are driving at.

Q. I am troubled with the idea that you emphasize that your realization is down because you have been driven more and more to small sizes.. Have you anything to say to clear up the confusion of my mind about that statement?

A. I don't know how I can do it Sir.

Q. You don't know of anything that you can say that would make it more understandable to me?

A. No, I do not.

Q. Well I will try and clear it up.

A. I will give it a considerable amount of thought between now and when you are in Winnipeg.

Q. Will you be appearing there?

A. No, but if I can help in any way.

BY THE CHAIRMAN - Just what is your question Mr Frawley?

BY MR. FRAWLEY - I don't understand why it is a problem that his realizations are going down because he has to produce small sizes; because we were told in Minto that that was the ideal solution, that they should sell all their coal to the New Brunswick Power Commission, that it would be fine if the New Brunswick Power Commission took it all.

BY MR. THOMPSON - At what price?

Q. Is it not possible to work out a price between producer and consumer?

A. Answering a question like that, you must have some price where you can say, yes we can produce all our coal in that size at that price. Then your average realization is still your same question, is it not?

Q. Yes.

A. Are we not back to the same point? We don't sell any power plant out there at 75¢.

Q. You have no share of that business out there?

A. No sir.

Q. Other companies sell that?

A. Yes.

Q. What do you do with your bugdust?

A. Use a portion of it ourselves, and sell what we can, and what we can't sell we put on the stock pile.

BY THE CHAIRMAN - What do you sell it for?

A. 75¢.

Q. To whom, and for what purpose?

A. Steam purposes, Sir.

BY MR. FRAWLEY

Q. You say "Our small coals, or the less remunerative sizes now represent 80% of the tonnage sold by our Company", and you say that has been brought about partly by the industrial use of Saskatchewan lignite coal..." I think the fact that you were able to displace Alberta coal in this special installation in the Winnipeg market particularly, was a bright spot, and I rather get the opposite impression from this submission. Am I wrong in looking to that as a bright side?

A. No, I think it is a bright side.

BY COMMISSIONER McLAURIN - Of course the problem of the whole industry is that the fines do not bring as good a price as coarse coal, and there is going to have to be a price adjustment where the fines carry a larger burden of the cost of operation.

A. That is the eventual result, Sir.

BY MR. FRAWLEY - Because that is just what is happening. Stokers are coming in which take small sizes and the realizations on that are smaller than on the larger sizes I suppose. But what is going through my mind is that there has to be a re-orientation; that you have to have a larger return for sizes up to now almost in the waste class and that are now coming into larger demand. It is the same as used to be in the coal oil and gasoline where the coal oil sold for more than the gasoline, and now it is the reverse.

BY COMMISSIONER McLAURIN - What Mr. Thompson says is that the transition is almost painful, and he is the guinea pig and he does not want to go broke in the transition.

BY MR. FRAWLEY - Your problem is that there has not been a disposition on the part of the consumer to look upon what is getting to be your main product, as anything but a waste product?

A. You are speaking more of the 1/2" minus?

Q. Yes?

A. That has been part of the problem. Up until fairly recently, within the past ten years, equipment which would burn it efficiently has not been available. Now the equipment is available and one of the things which has retarded its installation has been your war condition, where unless a Company was producing something that was immediately required for the war effort, they were not likely to get a permit to change their heating plant.

Q. But as these installations get to be more common?

A. Then the screenings probably will disappear.

Q. But you will have to get these people that are putting in this special installation, they have also to come to a realization that they have to pay more for the fine coal?

A. That is a development of it.

Q. You say everything that comes out of the strip mines demands the same price?

A. With the exception of screenings. That price is the same for shaft or strip coal.

Q. Have you engaged in the promotion of stokers?

S.

-2700-

C. L. Thompson

A. Have we?

Q. Yes, up to now? Household stokers or industrial stokers?

A. Yes, we have.

Q. You are taking part in that so that in a sense you are rather indirectly contributing to the greater demand for this 1/2" minus size?

A. No that is not what is used, it is the stoker size from 2" to 1/2".

Q. This size does not present the same problem as the 1/2" minus?

A. No, not the same problem.

Q. Do you think when price control is removed, that you won't be able to just get along on your own?

BY COMMISSIONER McLAURIN - That is a bit term, price control.

BY MR. FRAWLEY - Suppose the ceiling on the price of coal was removed, could you go out and take care of the situation without subsidy?

A. Not at the present prices.

Q. But could you "up" the price of your coal to adjust the situation?

A. Presuming that it is not only the Saskatchewan lignite field that has the price ceiling removed.

Q. Assuming it is all removed?

A. Then I think I am correct in assuming that the Drumheller field for one will require to increase their price, and then it follows that there will be some room for an increase in the price of Saskatchewan lignite, so your question has a lot of "ands" and "buts"

Q. I think only one group, the Edmonton field, said that even if price control were removed tomorrow, they must continue to have the subsidy. They look upon that as a peacetime necessity.

A. I think that is in our brief Sir, the way we look upon that.

Q. Where is that Mr. Thompson?

A. So far as subsidies are concerned, recommendation No. 1. Once price ceilings and all other co-related regulations are removed, then we believe we can carry on.

Q. I want to ask you a question about another angle of this thing.

You are selling your bugdust at 75¢ a ton now?

A. Yes.

Q. What are you getting for your 2" down to 1/2"?

A. \$1.60.

Q. Now you mention the burden of the Mineral Taxation Act. I suppose on a lot of your coal rights you are paying no royalty?

A. We pay royalty on approximately, roughly within 10% either way, I don't have the actual figures, but roughly on about 50% or better of the shaft mined coal, 50% to 60%.

Q. And on the strip mined?

A. That is a freehold property.

Q. What would that be, 50% or 60% of your shaft mining? Taking 1944, the last fiscal year production, would you have paid royalty on half of your coal?

A. Very close to half.

Q. That puts you in a much better position than the Drumheller Mine that has to pay royalty on every tone of coal and \$1.00 per acre rental also.

A. Yes.

Q. I suppose it is for some such reason that this Mineral Taxation Act has been produced?

A. I don't know the general purpose.

Q. It does act on your company in the nature of a royalty or provincial revenue of some kind that was not there before?

A. That is right.

Q. But it is quite fair to point out that you have been enjoying a very much preferred position because of the fact that you are not selling under royalty?

BY COMMISSIONER McLAURIN - He is selling a poorer product.

BY THE CHAIRMAN - And what they paid for the leasehold.

BY MR. FRAWLEY - Yes, on what capital investment was in there when you took over. I suppose you are successors to the people who originally got these lands from the Crown?

A. Yes.

Q. Do you think there is any chance of increasing the briquetting of the 1/2" minus: What size goes to briquetting?

A. Size coal? We supply the briquettes from sized coal; and at the present time they cannot use the 1/2" minus.

Q. Do you supply exclusively the coal to the briquetting plant?

A. Yes.

Q. And sell exclusively their product?

A. Yes.

Q. Are your companies absolutely separate?

A. Entirely separate.

Q. You have an exclusive contract, that is all?

A. Yes.

Q. And during the life of the contract they cannot buy from anyone else?

A. Yes.

Q. And during the life of the Sales contract you are the only ones that can sell?

A. Yes.

Q. That is, they are just processing your coal?

A. That is not the correct interpretation of it.

Q. Is it general through the Provinces of Manitoba and Saskatchewan that the dealer will give the man buying off-car a better price?

A. Fairly general, I think, Sir.

Q. That puts some of the responsibility for this seasonal and intermittent operation right on the dealer?

A. A portion of it.

Q. And I suppose he will say it is the nature of the coal that forces him to do that?

A. Yes.

BY THE CHAIRMAN - Does all the balance of that 14' seam go to waste?

A. It is not all 14'.

Q. You recover 7'?

A. It varies throughout the seam, in some places it is thicker or thinner.

S.

-2703-

C. L. Thompson

Q. Your average taking is 7'?

A. 7 to 7½ feet.

Q. Is the balance of that coal never recoverable?

A. No sir.

BY MR. FRAWLEY - You do not regard the disposal of the screenings, the 1/2" minus, as a real problem? You think there will be an improvement in that in the next two or three years?

A. Yes sir.

Q. Is your mine Unionized?

A. Yes, Mine Workers Union of Estoval District.

Q. And that is bargaining agent for how many mines?

A. I don't know, there are several.

Q. Does that include the men who work on the strip operation?

A. At our plant?

Q. Yes?

A. Yes sir.

Q. You contract that way?

A. We contract the work of removing the overburden.

Q. Is that in the Union contract?

A. No, outside.

Q. The removal of the coal after the overburden has been removed, you also contract?

A. Yes.

Q. Is that within the contract?

A. Outside.

Q. What is there in the stripping operation that is in the Union contract?

A. The truck drivers who carry the coal to the tippie and the operators on the tippie.

Q. You have one tippie?

A. Two.

Q. And that comes within the terms of the contract?

A. Yes.

Q. And all the underground men at the shaft mine?

A. Yes, and Supervisor.

Q. Is there a closed shop covenant in the contract?

S.

-2704-

C. L. Thompson

A. Yes.

Q. And you have an agreement covering that?

A. Yes.

Q. Would you sometime just file that Agreement with the Secretary?

A. Yes.

Q. Do your men work in the farming districts?

A. Some of them, sir.

Q. Are they primarily miners, or primarily farmers?

A. There is a considerable seasonal aspect to it, Sir, and we have a number of year around employees, and a number are employed in the Fall as farmers.

Q. Does the stripping operation add to the difficulties of the seasonal operation, or not? Does it have any effect on it at all? Will you elaborate on that?

A. The fact that you carry on stripping operations, they can go on all the year around, just as the shaft mining goes.

BY COMMISSIONER McLAURIN - You have to remove your overburden in the summer?

A. I don't think it has any effect one way or the other.

BY MR. FRAWLEY - Does the fact that you are engaged in a stripping operation level off the employment throughout the year and make it more even, or otherwise?

A. Not so far as we are concerned, it does not seem to have any effect.

MR. H. WALLACE takes the stand, and submits -

Exhibit No. 151 - Submission of Eastern Collieries of Bienfait Limited.

Mr. Wallace then reads Exhibit No. 151, as follows:

"Eastern Collieries of Bienfait Limited is pleased to render what assistance we can to this Commission and the following information is furnished and the following submissions are made in the hope and expectation that such information and submissions may be of help to the Commission.

This Company was formed in 1922 and has been engaged in coal mining in the Bienfait area since that time until the present time, with an interruption hereafter referred to.

The Company was reorganized on May 1st, 1936, by cutting down the authorized capital of the Company and providing an arrangement whereby the loans from Directors would not accumulate an undue amount of interest. Attached hereto is a memorandum containing particulars of the reorganization of the capital structure of the Company. This memorandum is Schedule 1."

(This is the material that was assembled in answer to the questionnaire).

Continues Brief

The Company from the time of its formation until April 1st, 1939, was engaged in the underground mining of coal. A disastrous fire on the latter date destroyed surface buildings and shafts beyond repair and in consequence underground mining was abandoned. The Directors therefore considered it expedient, in view of looming labor difficulties, to embark on the strip method of mining by means of Diesel tractors and LaTourneau, as a surer means of production. Following the decision of the Directors to mine in future by the strip method of mining, the necessary tests by boring were made with the object in view of determining the volume of coal that would be available by the strip method of mining and these tests were also made for the purpose of determining the best place in which to conduct the mining operations. Following these tests the necessary machinery and equipment were obtained as soon as possible, but the Company did not start its mining operations by the strip method until the month of December, 1939, and from then until the present time the Company has been engaged in that method of mining coal.

Attached hereto is a Schedule, numbered 2, setting forth the description of the coal mining properties under the control of this Company and the schedule sets forth the conditions under which the land is held and operated by the Company.

It is estimated that the reserves of coal of this Company amount to approximately 5,000,000 tons, of which approximately 1,000,000 tons can be mined by the strip method, and

approximately 4,000,000 tons by underground mining."

I might say in connection with the underground mining, the 4,000,000 tons I know is there, yet in underground mining if you get from 60% to 65% of the coal out, you do very well.

Continues brief

"The Commission has no doubt available to it the history of this mine field and the many vicissitudes through which it has passed. In 1931, during and following labor troubles, the Provincial Government appointed His Honour Judge Wylie, the Judge of the District Court of the Judicial District of Estevan, to investigate and report on conditions in this field, and the report of His Honour will no doubt be studied by the Commission. Again, in 1934, the Provincial Government appointed Chief Justice Turgeon, then of the Court of Appeal of Saskatchewan, to investigate conditions in this field, and his report will no doubt also be studied by the Commission. Then, in 1939, further labor troubles developed and eventually, through the intervention of the Provincial Government of that day, a settlement was reached.. Out of that settlement was formed the Central Union which comprises all miners in this field with the exception of the employees of the Western Dominion Coal Mines Limited. The labour troubles of the past and the certainty of further immediate labour troubles was the chief contributing factor in the decision of the Directors to engage in the strip method of mining when the Company resumed operations after the fire, and this further labour trouble did develop before the Company actually had resumed operations."

I might say that just at that time and previous to that, the Truax-Traor was the only strip mining in the field, and when the strike was held it apparently did not affect the Truax-Traor Company, which was the largest company in the field. Consequently we had the idea that it might happen again, but it didn't.

Continues Brief

"This Company entered into a collective bargaining agreement with the Central Union in December, 1939, and with variations in rates of wages, that agreement is still in existence. The agreement provides that the term of it is for the duration of the war and one year thereafter. I am happy to say that there has been no friction between the employees of this Company and the officials since 1939, and whatever difficulties have arisen have been capable of amicable settlement.

During the war, wages have, of course, been controlled, and the present rates of wages being paid have, of course, been fixed and authorized by the National War Labour Board. Attached hereto is Schedule 3, showing the rates of wages fixed by the collective bargaining agreement referred to at the time it was entered into and the schedule shows the present rate of wages. Also attached hereto is Schedule 3(a), setting forth for the period May 1st, 1939, to April 30th, 1944, the days worked, the number of employees and the tons produced per man day.

I am happy to be able to report that there has been no deliberate absenteeism by the employees of this Company.

I feel that I should in justice bring to the attention of the Commission a subject which has created and is still creating very material dissatisfaction among the employees. I refer to the administration of the Unemployment Insurance Act. This Company and the employees, of course, contribute to the funds. Coal mining in this field is seasonal and during the summer months the employees have worked for only two or three days a week and they, in consequence, feel that they should be entitled to benefits from this fund while they are partially or wholly unemployed through no fault of their own or of the Company. I have found that the employees get so disgusted with the red tape that they have to go through in order to make application for Unemployment Insurance benefits that they simply give up in despair and feel that the trouble is greater than the benefits received. It must be

remembered that few of these employees are capable of completing the forms they are called upon to complete. My recommendation in this respect would be that a certificate under the hand of a responsible official of the employer and duly verified should be sufficient evidence to enable the employee to get the benefits for the time he has no work and to which he is justly entitled.

Attached hereto is Schedule 4, showing the annual production of coal by this Company from the resumption of its operations in December, 1939, until the end of the last fiscal year of the Company which was April 30th, 1944.

Attached hereto is Schedule 5 setting forth for the period from December 1st, 1939, to April 30th, 1944:

- (a) The total annual cost of production
- (b) Realization per ton
- (c) Cost of production per ton.

Attached as Schedule 6 are financial statements in duplicate of the Company for the fiscal years ending April 30th, 1940, to April 30th, 1944.

This Company sells its entire production through Coal Sellers Canada Limited of Winnipeg, Manitoba, a wholesale distributor of coal. The Company pays a commission of ten per cent on the price of coal with a maximum commission of 15¢ per ton. Coal Sellers Company Limited pays the Company for all coal that is shipped and this company consequently has no losses through bad debts.

It is evident that the margin between the cost of production of the coal and the price realized therefor is very meagre. It is the desire of this Company to maintain as good a standard of living for its employees in the future as they now have, but if any further burdens or costs are imposed, it will be necessary to maintain that standard only by increasing the selling price of coal, or in other words, the consumer will have to bear the increased cost.

No subvention has been received by this Company from the time it resumed its mining operations."

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H. Wallace

BY THE CHAIRMAN - Does that include everything? No Government assistance?

A. That covers the railroad subventions.

BY COMMISSIONER McLAURIN - You don't receive the railway subvention anyway, the railway receives the subvention.

A. Yes, they receive it.

Q. Using the term specifically as it is used, as a railway subvention?

A. Yes.

BY MR. FRAWLEY - You have had some Government subsidy, have you?

A. Yes.

Continues Brief

"The chief competitors of this mine field are, of course, the mine fields in Alberta and in applying any subventions care must be taken that they do not change the relative geographical position of the fields and in order to insure that, if any subventions are granted, they should be uniform. This field, because of freight rates, has the advantage of geographic position in southern Saskatchewan and southern Manitoba, and anything that would disturb this geographic position would, of course, work to the detriment of this field. The low price at which this fuel must be sold in order to maintain the market for it, makes every cent that is added to the cost of production an important factor and a further burden to the operators.

Although this Company is entitled to a subsidy of 15¢ per ton on strip coal from the Emergency Coal Production Board covering the period from October 1st, 1942, to December 31st, 1944, such subsidies have in fact only been paid on the coal produced from April 1st, 1943 -

(and they carried on from that time to December 1944.

That would come in on this fiscal year 1944-45)

Continues brief

"and no payment has as yet been received on the coal produced from October 1st, 1942, until April 1st, 1943.

Attached hereto as Schedule 7 is a statement showing the subsidies that have actually been received by this Company. This schedule also shows the amounts received by this Company from the Commodity Prices Stabilization Board towards the cost-of-living bonus payable by the Company to the employees up to February 15th, 1944. Subsequent to that, following an increase in the cost-of-living bonus, such cost-of-living bonus was absorbed into the wages.

While on the subject of costs of production, there are imminent increased costs because of recent changes in the laws of Saskatchewan and such charges referred to are:

- (a) The increase from 66-2/3% to 75% of wages payable as compensation to an injured workman.
- (b) The formation of larger school units in Saskatchewan which it is anticipated will increase materially school taxes.
- (c) The Mineral Taxation Act which was amended at the last session of the Legislature of Saskatchewan and which will increase the charges against coal production, the extent of which it is yet impossible to determine.

Dated this 5th day of April, 1945.

Respectfully submitted on behalf of:

EASTERN COLLIERIES OF BIENFAIT LIMITED

(Sgd) H. Wallace
President and General Manager."

BY MR. WALLACE - I might just say a word on that. In this Act apparently the amount that would be charged against the coal is not in the way of royalty, but as I understand freehold coal rights, the thing will have to pay the amount of this whether the coal is taken out or not. If I am not right I am subject to correction, but so far as we know at the present, whether they are taking coal from this land or not, this payment must be made.

BY COMMISSIONER McLAURIN - It is a tax on the land.

A. There are two taxes. I think it is 50¢ an acre that they are supposed to pay on the coal lands whether they are being operated or not.

BY MR. FRAWLEY - It is all in Mr. Phelps brief that he filed yesterday. It is the Government's brief.

S.

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H. Wallace

BY MR. WALLACE - I just wanted to bring that up. Paying 50¢ an acre, what is the use of holding it, you may never use it.

BY MR. FRAWLEY - Thank you very much Mr. Wallace, I think that is all quite clear.

Exhibit 152 - Letter from The Roche
Percee Coal Mining Co. Ltd.

H. H. ALBRIGHT Proceeds to read Exhibit 152:

In our letter of April 4th, 1945, we supplied data and information as requested in your questionnaire, and in accordance with your request this submission covers in a general manner matters pertaining to our Company and its operations. We are also signatories to a joint brief with:

Eastern Colliers of Bienfait Limited,
Manitoba & Saskatchewan Coal Company Limited,
Western Dominion Coal Mines Limited.

The Roche Percee Coal Mining Company Limited was organized in November of 1938 and is a wholly owned subsidiary of The Winnipeg Supply & Fuel Company Limited, but operations were delayed in getting started until late 1940, owing to difficulties encountered in getting equipment for stripping.

The Roche Percee Coal Mining Company Limited hold the following leases:

1. Hudson's Bay Lease - South half of the South-west $\frac{1}{4}$ of section 26-1-7, W. 2nd. M., containing 80 acres.
2. C.P.R. Lease - South half of Section 27-1-7, W. 2nd M., containing 320 acres.
3. Department of Natural Resources - Roadway between Hydson's Bay and C.P.R. leases.

The leases as described above are situated about $3\frac{1}{2}$ miles from the village of Roche Percee. The tippie is located in the town of Roche Percee, in the Souris Valley, on the C.P.R. North Portal branch, with Soo Line connections in North Dakota. Tipple capacity - 100 tons per hour. Newly constructed and containing most modern equipment available. Office, repair shop, etc., located at tipple site; four loading tracks under tipple.

BY THE CHAIRMAN: I think this exhibit could well be filed with the Commission as a story of your operations. You had already a brief in by three other companies, so if you just file that. Are there any questions you want to ask him?

BY MR. FRAWLEY: I suppose the reason this is in existence is that Mr. Albright filed his answer to our questionnaire in the financial material, then apparently he was asked, as he says, "in accordance with your request." This submission covers other matters.

BY COMMISSIONER McLAURIN: You will be quite happy if we just read it instead of you reading it in public?

MR. ALBRIGHT: Absolutely.

BY COMMISSIONER McLAURIN: Now are there any more like this, Mr. Frawley? Couldn't we sift them out and not use them?

BY THE CHAIRMAN: "Private Presentation by Dominion Briquettes & Chemicals Limited." Why should it be private?

BY MR. FRAWLEY: That is an extra sheet. There is a submission by that company. That sheet was to be handed in this morning as a financial page and it will not be put into the record. That is, subject to your direction.

BY THE CHAIRMAN: Certainly. Have we heard that brief yet?

MR. FRAWLEY: No, Mr. MacDonald will present it.

Exhibit 153 - Submission by Dominion
Briquettes and Chemicals
Limited

J. H. MACDONALD Proceeds to read Exhibit 153:

In presenting this brief, I am depending on hearsay to some extent as to the early operations, supplemented by such information as I have gained (which may or may not be correct).

My understanding of the early situation in reference to Saskatchewan coal, around 1900 to 1920, was that a great many people felt they had a potential asset in the known deposits of the coal in that area. Prior to this, practically all south-eastern Saskatchewan and Manitoba were dependent on the use of Pennsylvania coal, supplemented by Alberta coal. While these people considered the coal in southern Saskatchewan an asset, they also knew it was not of the same heating and storing qualities as the other coals and would require special

facilities for burning. It is natural to suppose that these people had a chemical analysis made of this coal and found it was a lignite coal containing quite a percentage of moisture. Knowing they had this asset, they approached the Saskatchewan Government who eventually were able to get the Federal Government and the Province of Manitoba to form the Lignite Utilization Board. I do not know the names of the members of this Board, but no doubt you will be able to obtain same from Government records covering operations of the Lignite Utilization Board from October 1, 1918 to January 1, 1924 - a copy of which I understand is in your possession.

Any business man will realize that the closer the manufacturing plant is to the raw product, it naturally reduces the cost of the manufactured product. A site was chosen about five miles from Bienfait, Saskatchewan, and a coal mine was opened (I do not know what lands were used nor whose coal mines, if any). The Utilization Board started and their book will show the various processes they carried on before they eventually found one they believed to be successful.

My understanding of the situation at that time was that all money spent by the Lignite Utilization Board was cancelled. The development work, coal mines and any assets which existed were turned over to Mr. Hugh Sutherland (now deceased), who undertook to raise sufficient money to complete an efficient briquetting plant to briquette lignite coal. This money was raised in England and bonds were issued on the plant and workings, and on the coal mine at Bienfait. A company was formed under Dominion or Provincial charter (I am not sure which) and was known as Western Dominion Collieries Limited. The new company purchased Lurgi carbonizers and steel framework for that building, imported from Germany with the services of two of their engineers and one chemist. The plant was in operation between 1928 and 1929. The engineers and chemist had gone back to

Germany assuming that the plant would turn out a satisfactory product, but it was soon discovered that the briquettes would not withstand much pressure and disintegrated if left in the open to the elements. Due to these facts, the fuel dealers after having bought the first car or two, refused to make any further purchases. Apparently the company manufacturing the briquettes was unable to correct these defective features. The plant closed down and got into the hands of the bondholders who, I understand, had received no payments or interest on their original investment. The property was divided, the coal mine being sold to a Winnipeg company and the briquetting plant to myself and associates late in 1936.

From the foregoing you can readily understand that we were taking a big gamble, as we did not know just what we intended to do. The housing facilities were already on the property for the workmen and staff, and a boarding house for single employees - complete with water and sewer system. However, we eventually secured advice from an engineer who, at that time, was familiar with a similar plant located in North Dakota. He went to Binefait and gave us a report as to how we should rehabilitate the plant in order to produce briquettes which would be satisfactory.

Our first production of briquettes started in September, 1937, and our product withstood a three-hundred pound pressure, and did not disintegrate when left out in the open, subject to the elements. The first season we manufactured approximately ten thousand tons, and ran into all kinds of problems in making these first sales, on account of the unfavorable experience which the fuel dealers had with the unsatisfactory briquettes purchased from the previous company. The satisfaction of burning our briquettes experienced by the consumer was reflected back to the fuel dealer, thereby eliminating any further dealer objections to the quality of our briquette. The second season we doubled our production.

In the third season we had a fifty percent increase over the previous season, and since then we have been able to sell our product with the plant running at full capacity - approximately 200 tons per day. Theoretically, this plant could run continuously throughout the year, but this is not practical owing to the fact that our plant has to close down for at least two months for annual inspection, and the necessary repairs.

In the carbonization process, the coal is heated to a degree where the moisture is driven off. The coal does not come in contact with the flame but is heated in a cooking oven or retort, which is lined with firebrick - this constant heat being maintained throughout twenty-four hours a day - while the plant is in operation. The size of the coal used for carbonizing is from one-half to six inches, freshly mined and free from dust and dirt. This is conveyed to the top section of the carbonizers and goes first into the pre-dryers where the moisture is driven off. The pre-dried coal then drops by gravity to the carbonizing zone where about one-half the volatiles are driven off in the form of gas. The residue, which we call "char", comprises about forty-five percent of the original ton of coal - then goes through the grinders (hammer-mill). From there it is conveyed to a pug-mill (glorified bread mixer effect) where the binder is mixed with the small particles of "char". Then, on through the other mixers; then conveyed over and by gravity drops between the revolving press rolls. The manufactured briquettes drop from the bottom of the press rolls and are then conveyed to a cooling bin for from 24 to 48 hours, depending on the outside temperature. When the briquettes come from the press rolls they are fairly soft and can be broken easily. Some hours after they have been in the cooling or storage bin, they withstand a pressure of approximately 300 pounds per square inch. After sufficient cooling in the storage bins, they are loaded in box cars and shipped to the fuel dealers -

chiefly to south-eastern Saskatchewan and Manitoba.

When closing down, the extreme heat has to be gradually reduced in the carbonizers until they can be opened up and inspected (that takes just about a week) in order to examine the firebrick, and make necessary replacements. This, in addition to the other machinery, all of which has to be examined and necessary repairs made, in order that our plant will be in good operating condition through the fuel burning season. This close down usually is in June or July, when the need for fuel is at its minimum.

We have to use small lump coal (one-half to six inches) in the process, which allows a passage of air or gas to pass through it. Therefore, it is not possible for us to use the bugdust (degradation of the mines), as this lies in an almost solid mass and leaves no air space.

So far as our requirements are concerned, we find very little variation in the quality of the coal in the lignite field. I have no experience in briquetting other than lignite coal and, therefore, am not in a position to give any advice or suggestions as to the possibilities of manufacturing briquettes from same.

BY MR. FRAWLEY: Are you doing any research work on the possibility of using the bugdust?

A We are.

Q Or anything less than one-half inch?

A That is what we are endeavoring to do. We recognize the problem down there just the same as everybody else.

Q Do you think there could be more of these briquettes sold?

A I don't think there is any doubt of it.

Q The total capacity of your plant is 200 tons a day?

A That's right.

Q During the season you are running you get out your capacity, of course?

A Yes.

Q But you have got to close down in June or July? For how long do you close down?

A It depends on what work we have to do; for two months, sometimes three months.

Q You have to close down for replacements and examining firebrick and so on?

A That's right. It takes about a week to get the heat out --it had to be drawn gradually--and the same for heating up again.

Q Which company purchased the coal mine at the time you purchased the briquetting plant?

A I think it was the Western Dominion Coal Mines.

BY COMMISSIONER McLAURIN: I would like to ask Mr. MacDonald one question. Assuming you have somebody producing your coal as you now operate for processing, what would your estimate be of the cost of a carbonizing and briquetting plant to duplicate your present production under present conditions? Half a million dollars?

A Yes.

Q That would be a rough guess?

A A rough guess; a little under; it would take more than that.

Q Just for rough purposes it would take around half a million dollars, probably more, to erect a plant at the present time to produce 50,000 to 60,000 tons of briquettes?

A A year? Yes, there is a submission on that.

BY MR. FRAWLEY: That is what you produce?

A We produce 200 tons a day--about 6,000 tons per month.

Q Now would you be in a position to give some information on the course of that plant as to what it cost, how much it cost as it passed from hand to hand? How much money they put in it and who took it from Lignite Utilization? If that should become important--just let it go--I may write you a letter about that.

Exhibit 154 - Submission by the Estevan
and District Board of Trade

R. D. NEWSOME proceeds to read Exhibit 154:

This is a presentation by the Estevan Board of Trade on behalf of the smaller underground mines in the Estevan-Bienfait district. The Estevan Board of Trade and the business community of Estevan is seriously concerned over the closing of many of the small mines in this district.

Several years ago there were some twenty mines of various sizes operating in and around Estevan and in the Bienfait district. Within the last few years 75% of these mines have been closed, and unless some changes can be made that will improve the position of the existing small mines those that still remain may also be forced to close their operations.

I am giving you herewith a partial list of the mines that have been closed in the Estevan-Bienfait field within the last four or five years. They are as follows:

Tessier Mine	William Gill's Mine
Nels Anderson Mine	George Parkinson Mine
Hans Anderson Mine	Jim Parkinson Mine
Flowers Bros. Mine	Tom Parkinson Mine
Harry Nicholson Mine	

At Bienfait:

High Test Mine	Crescent Collieries
Banulius Bros. Mine	Banner Mine
Rock Springs Mine	

In addition to the mines that I have listed there were a number of mines at Roche Percee that have also ceased operations.

We realize that many of these mines were very small and lacked sufficient capital to obtain good equipment, and in many cases they lacked competent management. The closing of these mines was not viewed with any particular feeling of alarm, and in the case of the Roche Percee mines their closing was considered a benefit to the district because of their high accident rate due to very bad roof conditions.

A few mines remain however, and this brief is presented primarily in behalf of the following three remaining

mines in the Estevan-Bienfait field:

Jenish Bros. Mine
Tisdale Mine
The Northwest Coal Company

These mines are well managed by competent and experienced miners and are quite well equipped. They are sufficiently well financed to take care of ordinary requirements. We are quite familiar with the operations of these mines in the past year, and we are of the opinion, from a study of their records, and their statements, that they too will join the ranks of the closed mines in the very near future unless some changes can be made to improve their position.

It is not our intention to go to any great detail in outlining the unfavorable conditions that confront these mines but they can be listed under the following headings:

1. RESTRICTED TRUCKING AREAS

The mines in whose behalf we are writing are, with the exception of the Northwest Coal Company, located some distance from the railroad and all of them were unfavorably affected by the ruling of the Railway Commission in 1940, which established a 90 mile radius, and imposed a penalty on mines who catered to the trucking trade. According to this arrangement the mines who were members of this agreement supplied coal within the 90 mile radius at 10¢ per ton less than the price had been previously. They were given freight concessions ranging from 10¢ to 50¢ per ton.

Those who signed this agreement agreed not to sell to truckers within the 90 mile radius from this field. The mines that we refer to are not members of this agreement, and are, therefore, at a disadvantage in shipping their coal by railway freight to customers within the 90 mile radius, and have been practically shut out of this area which was, at one time, their best market. They, of course, have catered to the truckers in that particular area, but since this agreement was entered into with the Railway, the trucking area

has been restricted to a limit of 35 miles and tire and gasoline restrictions have further reduced the amount of trucking.

2. FIXED PRICES.

All of the underground mines, and particularly the small mines in question, have been adversely affected by the price policy that now exists in this field. We refer to the difference in price between the strip coal and coal from the underground mines. This question was gone into at great length at the time of the Turgeon Commission and at that time a price differential of 15¢ per ton was agreed to. By this arrangement all grades of strip coal were to sell at 15¢ less per ton than similar grades and sizes of coal from the underground mines.

This price differential was maintained until 1943 when prices were adjusted to take care of increased wage scales. At this time coal from the strip mines was increased 10¢ per ton for all sizes of coal, and coal from the underground mines was increased 10¢ per ton for small size and 30¢ per ton on large size.

The final change took place in February, 1944, when it was ordered that strip coal of all sizes was to be sold at \$1.60 per ton and the coal from the underground was increased 30¢ per ton for the large size and 10¢ per ton for the smaller coal. The net result of these successive changes has been to increase the differential between strip coal and coal from underground mines from the 15¢ passed by the Turgeon Commission to as much as 65¢ per ton for the large size.

According to the present price list Tisdale's Mine and Jenish Brothers are required to charge \$2.25 per ton for lump coal, which is 65¢ more than similar coal sold by the strip mines, which is priced at \$1.60 per ton. In other words, the underground mines were able to sell their coal in competition with the strip coal when the price difference was 15¢ or even as much as 30¢ per ton higher than the strip coal but they have been unable to hold their markets with the large

differential that now exists.

The effect of this price differential is shown in the sales by the small mines. In the small sizes where they compete on an even basis with the strip coal their sales have increased while the proportion of lump coal in comparison with their total output has shown a steady decline. This is due in part to the increased demand for the smaller size of coal due to the installation of stoker equipment, but the price differential is probably the most important single factor in this change.

3. SUBSIDY.

All of the mines in this field, in our opinion, are at a disadvantage when compared with the mines in the Province of Alberta. In the Edmonton field, we are given to understand, they have a subsidy of 65¢ per ton, and in the other parts of the province this subsidy varies from 40¢ to \$1.00 per ton. At this field a subsidy for coal mined by the stripping companies represents a subsidy of 15¢ per ton, and the underground mines receive 25¢ per ton. The variation in the subsidy has, no doubt, been gone into previously and was based on the conditions that existed at the time the various subsidies were fixed.

It might be further pointed out that up to April 1st, 1944, the increased cost of living to the workers was taken care of by a "cost of living bonus" from the Dominion Government. On that date, however, the said bonus was dropped and the wages were advanced to approximately the same rate as paid in the Edmonton field. The small size coal produced by the small mines was advanced in price by 10¢ and the price of underground coal by 30¢ but due to the discrimination by the Railway Companies under their agreement with the big mines covering the said 90 mile radius, the small mines have been unable to sell their large size product with a result that the small mines have not been able to equalize the said advance

in wages but the larger portion of such advance has caused a loss to the small mines.

It would appear to us now that unless some other changes can be made to improve the position of the mines that we refer to, that it will be necessary that these subsidies be again reviewed because it is our conclusion that unless the mines in question are able to increase their rates on the coal now sold they will be forced out of business.

4. WORKMEN'S COMPENSATION

The small mines in this district are also at a disadvantage as compared with the larger mines when a comparison of the rates paid to the Workmen's Compensation Board is made.

We realize this is purely a Provincial matter, but we mention it as another factor that is a detriment to the small mines.

Mines with less than \$25,000.00 payroll are required to pay 9½% of their annual payroll. Those with a payroll of more than \$25,000.00 pay 6½%. This matter exists despite the fact that the record of the remaining underground mines is very good, in fact better than that of the larger mines.

Apparently the higher rate for the smaller mines was fixed because of the high rate of accidents at the Roche Percee field, which was due to poor roofing conditions, and which resulted in the final closing of the mines in that section.

As conditions now exist there seems to be no reason for a higher rate being charged the smaller mines in this field, as compared with the larger operators.

5. CONCLUSION.

The mines in question have been an important factor in maintaining the economy of this community, and have been a large source of improvement for residents of this town. The aggregate of the small mines of about 25 in number constituted a substantial industry in this district contributory to the town of Estevan. There was a substantial payroll and

a large number of workers from these mines left their jobs to join the Armed Forces. In their absence, the greater part of the industry in which they gained their livelihood has been destroyed. The problem of rehabilitating these men and finding jobs for them will be a difficult one for our town and community.

The changes complained of have largely destroyed the small mine business and did not result in any benefit to the consuming public but have worked out so as to give the big mines a virtual monopoly of the field. In this connection it may also be pointed out that the big mines are not always able to take care of the fuel requirements of the local trucking area and of their outside market. In spells of extreme weather consumers in the local area have suffered because the larger mines, which under their agreement with the Railway Companies, take a 10% loss per ton on business in this local area, have given priority to their outside market and consumers in the local area have been compelled at different times to import Alberta coal.

We, therefore, respectfully call these matters to your attention and ask that the small mines be given an opportunity to present their case before your Commission when you meet in Regina. At that time we expect to be better prepared to support the above statements by further data.

MR. NEWSOME: I might add, gentlemen, that that is a little misleading about that 10% reduction. The agreement entered into between the railway and the different mines did not deal with the price, as the Transport Act would not give them power to put that in the agreement, but the small mines maintain that there was a gentleman's agreement that those who did enter into that agreement with the railways would reduce the price 10% in that 90 mile radius, but the way it is in the brief is a little misleading.

BY MR. FRAWLEY: Then you have this brief of three small mines in the Estevan area.

Exhibit 155 - Brief on behalf of Jonish Brothers Coal Mine, North West Coal Company and A. E. Tisdale, in the Estevan Area

MR. NEWSOME proceeds to read Exhibit 155:

In investigating any industry at the present time it is submitted that two points are of vital concern:

- (a) What place such industry can take in rehabilitating the returned soldier,
- (b) The employment they can furnish so that there will be work for all, whether returned or non-returned men.

From that angle the small mines of the Estevan district feel that there is an industry which, if it does not receive favorable consideration from the Government of Canada, cannot long exist, and if such mines are forced to close it cannot but have a very adverse effect, not only on the coal consuming public of the Estevan district, but on the miner who joined up and went overseas and also on those who have stayed at home and remained in the coal industry during the war years.

There appeared an article "Saskatchewan Coal Production" by P. W. Doake, Saskatchewan Coal Administrator, in the April, 1944 issue of The Miner, from which we quote:

"During the fiscal year ended April 30, 1943, Saskatchewan's coal consumption amounted to 3,000,000 tons. Of this amount railway requirements were approximately 1,000,000 tons; industrial consumers used 370,000 tons and the remaining 1,630,000 tons went to domestic users.

"Annual production in the province in 1943 was 1,666,000 tons, of which approximately one-half was shipped out of the province, largely to Manitoba. This left a consumption deficiency of approximately 2,200,000 tons, which had to be obtained from a source outside the province, namely, from the province of Alberta.

"At the beginning of the year it was not certain that Alberta could supply Saskatchewan's requirements, owing to labour shortages and increased consumption in that province for domestic and industrial purposes. The railways, which use 48 percent of Alberta's coal, were demanding ever increasing supplies, while war industries, army camps and air force establishments were all contributing to the increasing demand. Fortunately Western Canada experienced one of the mildest fall seasons in 1943 on record, and, although coal deliveries were slow at times, deficiencies in supply were only temporary and no real hardships resulted."

At the commencement of the war about 26 small mines were in operation within a radius of seven miles of Estevan. Today, despite the fact that coal has been urgently required during the years of war, there are not more than four small mines in operation, three of the largest being Jenish Bros., North West Coal Company and the A. E. Tisdale mines which employ at the busy season about forty, twenty and ten men respectively. Whether these mines now operating can continue and whether those which have closed down can be reopened and again become going concerns will largely depend upon the assistance given by the Government of Canada by way of railway freight concessions and protection from undue competition from the larger deep-seam mines and strip mines in the Bienfait area which is the next town about 10 miles east of Estevan, and from the coal fields of Alberta.

The history of the small mines in the Estevan field has been one of continuous struggle against fierce competition from the larger and more powerful deep-seam mines and particularly has this been so since the strip system of mining has commenced. There are two of the large deep-seam mines in the Bienfait area which have a strip mining system along with their deep-seam mines.

In the report of the Royal Commission into the Saskatchewan coal industry which was held in 1934 and presided over by the then Mr. Justice Turgeon, at page 15 of the report is a statement showing the decline in the price of the coal in the larger deep-seam mines in the Bienfait area from 1930 to 1934. We quote the following from the report:

"Bearing in mind that the coal year ends on April 30th in each year, the following table will show the average realization per ton at the mine of the five companies comprising the Group, and of the Truax-Traer Company, for the five years, the last of which ended on April 30, 1934:

W.

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R. D. Newsome

	<u>1930</u>	<u>1931</u>	<u>1932</u>	<u>1933</u>	<u>1934</u>
Crescent Collieries	1.830	1.750	1.560	1.640	1.300
Eastern Collieries	2.112	1.725	1.375	1.520	1.454
Bienfait Mines Ltd.	1.855	1.748	1.535	1.560	1.480
Western Dominion	1.917	1.679	1.380	1.420	1.329
Man. & Sask. Coal Co.	1.960	1.710	1.520	1.590	1.500
Truax-Traer	1.215	1.301	1.246 "

The Truax-Traer has since been taken over by one of the deep-seam mines.

BY MR. FR. WLEY: Which one?

MR. NEWSOME: Well, it is now the Western ----

BY MR. FR. WLEY: Well, it is either the Western Dominion or the Manitoba and Saskatchewan?

MR. NEWSOME: Yes, the Western Dominion. (Continues brief): such mine now operating a strip plant in conjunction with its deep-seam mine.

The small mines in the Estevan area had a like reduction in the average realization per ton from their mines, in many cases the reduction in the realization being greater than in the large deep-seam mines.

During the years covered by the above table showing the fall in prices there was an equally severe fall in the prices in Alberta and British Columbia coal but in Alberta and British Columbia the falling prices were accompanied by a fall in sales tonnage while in Saskatchewan as the price went down the sales tonnage increased. It is therefore submitted that the competition reduced the price below what was necessary when the sales tonnage of coal was actually increasing.

The large deep-seam mines in this area in the thirties looked upon the small mines as a disturbing factor in the coal industry. Up until 1930 the coal sold by the small mines in the Estevan area was almost entirely local but in 1932 the coal shipped by rail by these small deep-seam mines was 32,000 tons and by 1933 it had increased to 89,000 tons.

TRUCKING AREA

During the early thirties coal was trucked from the small mines at Estevan to railway points west and north-west

such as Weyburn, Radville, Minton, north to Stoughton, Arcola, and as far east as Gainsborough, some of these towns being as far as 75 miles from Estevan. These places covered an area larger than was originally the trucking area. We quote the following concerning the trucking area from the Turgeon Royal Commission, commencing at page 18:

"Originally it was customary in this area contiguous to the coal mines, probably somewhat smaller than the present trucking area, for the farmers to come to the mine with their wagons or trucks, and buy coal for their own requirements. Later on, persons having motor trucks made it a business to buy coal at the mines and sell it to consumers at various points along the lines of railway. This business was considered by the railways and the retail coal dealers as injurious to them. Some of the big mines, as well as the small ones, supplied the coal to these truckers. The big mines allege that the small mines engaged in a campaign of price-cutting and overweighting, against each other and against the big mines, in order to secure the greatest possible part of this trucking trade. In 1933, representatives of the Group, the Truax-Traer Co., and the railways, agreed on a policy intended to put an end to this business. Up to this time the price for coal at the big mines was the same in the blue and the trucking areas. The Group and the Truax-Traer Co. reduced their prices in the trucking area, making them lower than in the blue area. This anomalous position still exists. It can only be explained by the determination of these large mines to break down competition. For once, the Group and the Truax-Traer acted together. The railways, on their part, reduced their freight rates in the area. In the result, the trucking trade came almost entirely to an end, and the small mines lost a large part of their business. And then something else occurred which was probably unforeseen by the big mines when they took action. A number of the small mines, deprived of this truck business, began shipping their coal by railway to such far-away points as Winnipeg, Brandon and Regina and some of them cut prices in order to get into these markets. The small mines are now serious competitors of the big mines in the railway coal shipping business."

LOCAL FREIGHT AGREEMENT

The large deep-seam mines were not, however, content to leave the trucking area or the shipping area of the small mines as it was when the Turgeon Commission made its report. Driving such mines from business was their object and this to a very great extent they have done as is evidenced by the very few small mines now operating.

Trucking up to 1940 to a very considerable extent continued and to a greater extent than existed at the time of the findings of the Turgeon Commission. The great financial depression of those years in this area helped the trucking of

coal to continue despite the campaign of the large deep-seam mines and the strip mine then operating under the name of the Truax-Traer. The railways too in those years were eagerly looking for business. The desire of the large deep-seam mines to put out of business the small mines plus the desire of the Canadian Pacific Railway and the Canadian National Railway for business led in 1940 to a special freight rate being granted on all coal shipped from the Estevan and Bienfait area to any point within approximately 90 miles of Bienfait by mines who had entered into an agreement with the Railway Companies. In order to get in on that special rate the mines taking advantage of it had to enter into an agreement with the Railways, one clause of which agreement was as follows:

"The Shipper agrees to deliver or cause to be delivered to the Railway for carriage between the stations specified in paragraph 'C', the said traffic, howsoever directed or consigned; and not to ship or permit or cause to be carried any part of the said traffic by any other means of transportation whatsoever."

To a point 90 miles from the mines the freight rate to those mines who had signed the agreement was 40¢ per ton less than to the mines which had not signed the agreement. At intermediate points the freight rates were correspondingly lower. This agreement is still in force.

MR. NEWSOME: I might add here, sirs, that those small mines in the Estevan area, practically all of them are from 4 to 5 miles from the town of Estevan, which is the nearest railway point, so they have to truck it that 4 or 5 miles, whether they had entered this agreement or not.

BY THE CHAIRMAN: Isn't it an advantage to them, however, to be able to get a market in Winnipeg for their coal?

MR. NEWSOME: Yes, but they had largely always depended upon the farming trade, and they were going to lose that farm-

ing trade if they signed the agreement because they couldn't deliver to a farmer who brought his wagon or truck to the tippie.

BY THE CHAIRMAN: What I am suggesting is that I don't see that the operators themselves were injured, in this way, they probably got rid of a greater output, the small mines?

MR. NEWSOME: No, they couldn't join it. Their trade was largely with the truckmen and the farmers.

BY THE CHAIRMAN: Who joined this agreement here?

MR. NEWSOME: None of these three that I represent joined. There were only four in the whole field, I think, joined it, the small mines. (Continues brief):

The small mines who sold largely to farmers within a radius of 50 miles of Estevan could not sign the agreement as it prevented them delivering at the tippie into a farmer's truck or wagon if the farmer's home was nearer to any railway station than his home was to the town of Estevan or the station from which the mine concerned would ship by rail. The result was, and it could not be otherwise, that most of the small mines could not and did not sign the agreement. If they did they lost the largest part of their business, namely, the farmers' trade and the trucking trade and they would then have been compelled to compete with the large deep-seam mines and the strip mine for the shipping business. Only four of the small mines signed the agreement and all of these were more in the Bionfait area than in the Estevan area and of the four who did sign only two of those mines are today in operation.

BY THE CHAIRMAN: The railway put them out of business?

MR. NEWSOME: That is the result of it. (Continues brief):

The mines which signed the agreement also had to sell their coal in the special freight area at 10¢ per ton cheaper

MR. NEWSOME: Now that is not entirely correct.

That is the same fault as the Board of Trade brief. There is an understanding that they would but it is certainly not in the agreement.

BY MR. FRAWLEY: The farmer who wants to buy his coal at the tippie, thinking that he would get the closest possible mine price, wasn't allowed to do it?

MR. NEWSOME: Not if there was a railway station nearer to his home than the town of Estevan.

BY MR. FRAWLEY: If he went right to the mine, is that at Bienfait?

MR. NEWSOME: Well, these small mines are largely in the Estevan area, about 4 or 5 miles from the town of Estevan. Now if his home was closer to any town that had railroad facilities he couldn't go down to the tippie and get that coal loaded right into his wagon if this small mine joined the agreement. (Continues brief):

. . . than in other areas and this was largely the trucking area and it is to be borne in mind that according to the findings above quoted from the Turgeon Commission coal was then selling in the trucking area at a lower rate than in any other area. This reduction in price it is submitted was intended to force the mines not signing the agreement to reduce the price of their coal 10% in order to compete with the large deep-seam mines and if they shipped they still had to pay on the old freight rates. It was more pressure to put the small mines out of operation, and they could not afford to and did not make this 10% reduction.

With the return of prosperity and lack of trucks, rubber and men, farmers now are not anxious to haul their coal and the trucking industry has practically disappeared. Farmers who formerly hauled their coal or got it from truckers now get it from the nearest railway point and that part of the coal business has been lost to the small mines. At the

same time the larger mines had more call for coal from Winnipeg and the industrial centres and have, in the busy coal season, been neglecting the area covered by the freight agreement or have been sending in a poorer quality of coal to points within the area with the result that Alberta coal is now being shipped into the area within a distance of 24 miles of Estevan.

It is submitted that the entire local freight rate agreement has been a vicious thing which never should have been put into effect and that it should now be abrogated by the Board of Transport Commissioners.

ALBERTA COAL

It is submitted that working conditions, wages and the B.T.U. values of Edmonton coal and Estevan coal fields are very similar and that the price of the two coals should be very similar. Despite that fact, however, initial prices in the Edmonton field are about one-third higher than in the Estevan area. The Government of Canada pays a subsidy of 15¢ on strip coal and 25¢ on deep-seam coal from the Estevan and Bienfait area while it pays 65¢ per ton subsidy on Alberta coal. We quote from the Turgeon report at page 43:

"But from what evidence I have--and which appears conclusive--there seems to me no doubt that this policy of subventions places Saskatchewan coal at a great disadvantage in the Manitoba market. It bonuses Alberta and British Columbia coal as against Saskatchewan coal. Mr. Brodie seems to be entirely justified when he states bluntly in his evidence (Vol. 25, p. 112):

"The position as it is today simply means that the government goes into the treasury of the country and hands over to the Alberta fields 70 cents a ton so that they can reduce their price by that much, and they they come here to Saskatchewan and give us 15 cents a ton."

Today the subventions have been done away with but in its place there is now paid a subsidy of 65¢ on Edmonton coal and from 40¢ to \$1.00 a ton on Alberta coal, while in Saskatchewan there is a subsidy of 15¢ and 25¢ a ton and the mine must satisfy the Government that the mine operated at a loss in order to get that subsidy. It is submitted that the

subsidy of 65¢ on Edmonton coal at a time when it is being shipped for consumption to a point within 24 miles of Estevan is entirely out of line and unfair to the Estevan coal fields. It is, therefore, submitted that the system of subsidies on Alberta and Estevan coal should be entirely altered as it is most inequitable. To a less degree the same might be said of the subsidies and subventions paid by the Canadian Government on American coal. It is submitted that the more natural and more reasonable thing is to allow subventions or subsidies which will encourage the use of Saskatchewan coal in Manitoba and in Eastern points.

WORKMEN'S COMPENSATION

A point of much concern in this area is the difference in rates payable to the Workmen's Compensation Board. In the smaller mines an extremely high rate is charged, much higher than in the larger mines. The small mines have payrolls under \$25,000.00 per year. The larger mines have a payroll over \$25,000.00. The rate when the payroll is under \$25,000.00 is 9.5% per \$100.00 of wages while over that figure the rate is 6.5%. This is an extra burden placed on the small mines which is most unfair as accidents in the small mines are not any greater or any more serious than in the larger mines either when estimated on a percentage basis of the number of men employed or on a percentage basis of the payroll. Now that the price of labour is higher than it was some years ago this difference in the assessment rate between the small and large mines is that much more of a burden on the smaller mines. It is also submitted that the compensation rate on both the large and small mines is higher than it should be when compared with the rate paid by other industries such as sawmills, construction companies, etc. With modern mining equipment it is submitted that the coal mining industry is not more dangerous than other industries which pay a much lower rate.

PRICE STRUCTURE

Prior to January 22, 1944, when an increase was allowed in the price of coal, the prices at the tippie in both Estevan and Bienfait areas were as follows:

	Stoker or Nut	Steve	Cobble	Cobble Lump
Strip Mine	\$1.50	1.50	1.50	1.50
Deep-seam Mine	1.50	1.60	1.95	1.95

After the raise in price was permitted on January 22, 1944, the price in the Bienfait area was as follows:

Strip Mine	\$1.60	1.60	1.60	1.60
Deep-seam Mine	1.60	1.70	2.25	2.25

and in the Estevan area they were as follows:

Deep-seam Mine	1.60	1.70	2.10	2.10
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Prior to the increase in prices effective on January 22, 1944, in order to keep the various mines operating and to get out the urgently needed coal, the Dominion Government was paying the actual loss suffered by the mines. The higher cost of operating the mines due to increased wages, cost-of-living bonus, etc. meant that practically all the mines were operating at a loss and as mentioned the Government was paying this loss. Following the new price scale the Government subsidy has been altered and now in place of the Government paying the cost-of-living bonus and the losses incurred by the mines it simply pays 15¢ per ton on strip coal and 25¢ per ton on other coal if the mines are operating at a loss. If this 15¢ and 25¢ per ton subsidy is not sufficient to cover the loss then the mine must absorb the balance. As stated previously in order to get the 15¢ or 25¢ per ton subsidy the operating mine must satisfy the Government that it has operated at a loss.

Most of the coal sold by the small mines is for domestic use and is cobble or cobble lump and the difference in

price between the strip coal and the deep-seam coal is entirely too great. The difference between \$1.60 and the \$2.25 or \$2.10 at Estevan enables the strip mines to sell a great deal more of their product than they are entitled to sell with the result that the other mines are not getting their share of the business. Then in addition to the difference in price there is the difference caused due to the local freight rate which means that the large mines who get the special rate sell at 10¢ (that is wrong again) under the \$1.60 or \$1.50 and there is also the difference in the freight rate itself, which at the maximum point of 90 miles would mean the cost to the consumer of Estevan coal would be \$1.10 (should be \$1.00) more than the cost to the consumer of the strip coal, namely 40¢ freight rate, 10¢ special price (that is out again) and 50¢ the difference between the \$1.60 and \$2.10. In order for the strip mines to get the subsidy of 15¢ they must operate at a loss and as they get this 15¢ they must be operating at a loss. It is therefore submitted that the strip mines should not be allowed to get a great deal more than their share of the business, sell at a loss and be subsidized for it and, to prevent that the price of cobbles or cobbles lump coal from the strip mines should be raised to \$1.95.

MR. NEWSOME: That would be bringing it in line, sir, with the 15¢ differential made at the time of the Turgeon Commission. (Continues brief):

This is a contention with which the deep-seam mines which operate a strip mine in connection with their deep-seam mine will not concur but, it is nevertheless submitted that it is the only way in which the strip mines can be prevented from getting an undue share of the business.

WAGES AND EMPLOYMENT

It is not our intention to discuss the question of wages paid in the various mines and what the mines can afford to pay. We do, however, wish to point out that since the out-

break of war there has been an increase in the basic wage rate in this field of not less than 55% and that as far as the cost of production in all mines except the strip mines is concerned the wages are the major factor. Costs in respects other than wages have also gone up. It might also be pointed out that owing to the number of inexperienced or comparatively inexperienced men who have been working in the mines for the last number of years the mine operator is not getting the same value for the amount which he pays out in wages as he would if these men were more experienced and better qualified miners.

We also wish to point out that as far as employment is concerned there is no comparison between the number of men employed in the strip mine and the deep-seam mine to produce the same amount of coal and also that the more highly mechanized the mine is the less the number of men there are employed in production of the same amount of coal. From the point of employment, therefore, the deep-seam mines are more to be considered than the strip mines and considering the coal industry in this district from a post-war angle it is submitted that the deep-seam mines should be given more consideration than the strip mines, if from no other angle than from the amount of labour employed. And in particular the many small mines in the Estevan area which have been forced to close their doors because of the competition which has been previously outlined, we venture to repeat again that the only way these mines can be re-opened and brought back into operation is not only that the price of strip coal be raised, but that the local freight rate previously mentioned be abolished.

BY MR. FRAWLEY: Mr. Smart will present the brief of the Saskatchewan Coal Miners' Union.

Exhibit 156 - Brief of Saskatchewan Coal
Miners' Union of Taylorton,
Saskatchewan

J. J. SMART proceeds to read brief:

The membership of this Union, which was organized 1938, so far has been confined to employees of Western Dominion Coal Mines Limited, and in consequence these submissions are made on behalf of such employees only.

Collective bargaining agreements, since the formation of the Union, have been in existence between the Union and the Company, and a new agreement, after months of negotiation, was entered into on February 13th, 1945, for the duration of the War and one year thereafter, subject of course to the provisions of P.C. 1003.

The Union is an independent autonomous organization of employees controlling its own policies and finances.

While from time to time there have arisen serious differences between the Union and the Company, these differences have been adjusted and settled amicably and it is the proud boast of this Union that during the War not one hour's work has been lost through disputes between the Union and the Company.

The payment of a cost-of-living bonus to its employees to compensate for the increase in the cost of living was inaugurated by Western Dominion Coal Mines Limited and it is believed that the employees of this Company had the benefit of a cost-of-living bonus before any other employees in Canada, and long before the Government instituted that method of providing for increases in the cost of living. The principle on which the bonus was paid was worked out in harmony between the Union and the Company.

It is believed that there exists at the mine of the Company as favourable conditions for employees as can be found

anywhere in Canada, with the result that generally speaking there is no dissatisfaction among the employees of this Company regarding wages or working conditions. The Union is, however, at the present time pressing for holidays with pay, and an application is now before the National War Labour Board.

The funds of the Union, which are mostly invested in Victory Bonds, are used exclusively for the benefit of the members of the Union.

The present standard of wages and of working conditions have been attained by persistent and continuous efforts on the part of the Union, but in fairness to the Company it must be said that it has at all times shown much regard for the welfare and betterment of the conditions of its employees, and no reasonable request, having for its object the betterment of conditions, has been refused.

The Company provides bath houses and provides a hall at its own expense for the social functions of the employees. Quite a number of the employees have been in the service of the Company since it started its operations, and quite a number of these employees were in the service of the predecessors of this Company, and to provide educational facilities for the children of the employees there is a public school at the mine.

The standard of living and the conditions that have been established through earnest and persistent efforts on the part of the Union and with the co-operation of the Company have of course been established only after years of effort, and naturally the members of the Union would not accept with good grace any lowering of the standard of living, and it is the hope and expectation of this Union that this Commission will, out of its investigations, make recommendations that will be implemented that will establish the coal mining industry in this part of the Province of Saskatchewan on a stable basis.

It is felt that there is no justification for any decrease in the present rates of wages and it is respectfully submitted that the present rates of wages, even in peacetime, will do no more than enable the men engaged in the coal mining industry, equally essential in peace as in war, to maintain a standard of living that is essential to their wellbeing and happiness and enable them to raise and maintain their families properly and provide them with advanced education if necessary.

It is now recognized beyond question that efficiency in any industry has its foundation in the quality of those employees engaged therein, and in order that the coal mining industry of this Province should operate efficiently the standard of living of the employees must be such that will draw to the industry the proper type of employees.

BY MR. FRAWLEY: You have a contract, a written contract, with the Western Dominion Coal Mines Limited?

A Yes sir.

Q Would you file that with the Secretary of the Commission, send it to us by mail?

A Yes.

Q Do you know off-hand whether those rates are as high as similar operations where the United Mine Workers have a contract?

A In Alberta, do you mean?

Q Well, take Alberta. The United Mine Workers have no contracts in Saskatchewan, in this field anyway?

A No.

Q Do you know if they are as high or higher than ---

A They might be higher; different operations. We will send the agreement along.

Q There is one thing I might ask you: Is the coal in the strip taken out by a contractor or by the Company?

A The Company.

Q And do the men who work on the strip operation belong to your Union?

A Yes.

Q That is all covered?

A Yes, all employees.

Q All the employees in the strip and otherwise?

A Yes.

Q That doesn't apply in the other company, the M. & S.?

A No.

Q Where they sublet to other companies, to contractors, the employees of the contractors removing the coal are not members of the Union?

A No.

BY MR. FRAWLEY: Mr. Elehysen will present a brief for the Mine Workers Central Union of Estevan and District.

Exhibit 157 - Brief of Mine Workers Central
Union of Estevan and District

JOHN ELEHYSEN proceeds to read Exhibit 157:

The Mine Workers Central Union of Estevan and District beg to submit the following as their brief before your valued Commission investigating the coal industry.

The Mine Workers Central Union of Estevan and District was organized in 1940 as an all-embracing union of all coal miners in this district, except the Western Dominion Coal Mines stripping plant of Taylorton, Sask. The union came into being after a dispute was settled during the 1939 strike in this coalfield and when the United Mine Workers of America and the Canadian Federation of Labour withdrew from the field on agreement.

A short history of the Estevan-Bienfait industrial situation provides a glaring picture of the past and the relations between the coal mining companies and the Union up to 1939.

Between 1907 and 1908 an organization of miners was started under the United Mine Workers of America Union, only to be broken up by the employers through means of discrimination. Again in 1915 there was a movement for a miners' organization but to no avail--the men lockouted of the mines and had to pay fines under the wartime regulations.

In 1920 the One Big Union was invited to organize. When such organizing began the mine operators proclaimed a lockout of the miners and through various means of blacklists and discrimination against the worker were able to break down the miners' rights to organize, even following the lines of kidnapping. A union organizer was forcibly seized from a Bienfait hotel and taken across the international boundary and threatened with tar and feathers if he came back, thus again breaking up the miners' attempts of forming a union.

In 1931 on invitation of a miners' mass meeting the Mine Workers Union of Canada began organization of the miners and were strenuously opposed by mine operators, resulting in a strike in September 1931. This led up to rioting and loss of life by three miners and many were injured. Local committees were set up by written agreements with the employers. These functioned for six months, only to be smashed by the mine owners and be followed by setting up of a company union. Discrimination and blacklisting followed until no organization at all existed in the field. A Royal Commission investigated and affirmed the miners' rights to organize but in spite of this the employers blocked any form of organization, this resulting in no union for the employees during the period of 1931 to 1938.

In 1934 there was at that time a war on price of coal going on between the various coal companies which resulted in the government setting up a Commission to investigate the coal mining industry in the Bienfait-Estevan area. This commission was generally known as the Turgeon Economic Commission which

presented its findings on the situation of the coal industries in the area. Much useful information for your Commission could probably be gotten out of their findings for the purpose of getting a picture of this field at that time.

In 1938 on the urgent request of the miners of this district the United Mine Workers of America, District 18, with offices in Calgary, Alta., was asked to organize this field. This they did and again the mine operators refused to deal with miners' requests, resulting in a strike lasting six weeks. Owing to war conditions, and upon request of the Provincial Government a conference was called and the United Mine Workers of America withdrew from this district. This resulted in the setting up of the Mine Workers Central Union of Estevan and District, which as stated previously in this brief before has agreements with the various coal companies. To date the Mine Workers Central Union has made much progress in the conditions of the workers and the wage rates generally and any disputes and dealings that we may be involved in are carried in the legal means that we have at our disposal.

The Mine Workers Central Union believes that this short history of the labour side of the picture will give this Commission some information as to the conditions the workers have struggled through. Like the United Mine Workers of America, District 18, who have presented their brief to you a short time ago in Calgary, we believe in the principles that have been outlined by them to your Commission on pages 1 and 2 of their brief of April 3, 1945.

BY MR. FRAWLEY: The fact is that the United Mine Workers have no affiliates in this field?

A Not right now.

Q Neither has the Canadian Federation of Labour?

A Not right now, but there is a jurisdictional dispute going on between them which is up before the National War Labour Relations Board.

Q That is now pending before the National War Labour Relations Board?

A The Wartime Labour Relations Board for this Province, which I don't think I can discuss right now. (Continues brief):

INDUSTRIAL RELATIONS

The Mine Workers Central Union having agreements with all mining companies outside of the Western Dominion Coal Mine strip operations endeavors to have rates of pay and working conditions standardized in the whole field according to the different operations so that no operator, large or small, may have an advantage over one another, thus developing his operations at lower rates of wages and poorer conditions. We have in mind that there are different operations such as small mines and large mines, and stripping mines, and that the conditions vary in each, but on the whole we have endeavored to see that justice is done to the employers and employees generally.

Prior to the outbreak of this war the Saskatchewan coal mines while operating on an all around year basis were only able to operate steadily for 5 to 6 months of the year for the larger mines and about 3 to 4 months per year for the small mines; and they would work only about 3 days per week in the large mines and the small mines would almost completely close down for the summer months, thus putting men out of year-around employment; they were then classed as seasonal employment.

Since 1939 there was a greater demand for coal in Canada and Saskatchewan lignite which cannot be stored for any length of time found markets in places of harder coals which have a widely expanded market for war industries, thus resulting in more use for Saskatchewan lignite, giving steadier employment to more miners. However this situation will most likely be altered with the end of the war drawing nearer. Therefore

believing that we may come back to conditions of 1939 again, we believe the Government of either Saskatchewan or Canada through medium of this Commission explore the uses of Saskatchewan lignite coal by the setting up of processing plants; plants to make briquettes of the coal and utilize all the by-products that may be obtained from this process. This would find a ready market and provide steadier employment for labour and stabilize the industry. To this end we suggest that the Commission should endeavor to get information on this question from the report submitted by the Lignite Utilization Board who studied the processing of Saskatchewan lignite during and after World War I. We therefore are not submitting any figures or data on this matter to this Commission as we believe that other briefs of this nature will be presented.

The Mine Workers Central Union believe that coal is of vital importance to the nation's well being and feel that in order to have adequate work for the miners and reserves available for future that a National Fuel Policy be brought into being along the lines stated on page 12 and 13 of the United Mine Workers' brief presented to this Commission.

The production of coal in this area was small compared to that of the consumption of coal in Canada. During the war, production has almost increased to double the amount before the war. To this end we understand that the Government of Canada has contributed in subsidies to the coal industry in this province, helping to increase production. We believe that any assistance along these lines is of national interest and this should be continued and that a National Fuel Board or some agency be set up which would have labour and producer representation on it and have power and authority to plan the setting up of industrial processing plants for coal and its by-products for Saskatchewan lignite as has been previously stated in this brief, to see that Saskatchewan coal will have a market, and the returns of this shall be

of benefit to the employer and employee as a whole.

We are not going into this matter very deeply with statistics as we believe that other interested parties in the production of coal in the Beinfait and Estevan area will endeavor to give this Commission a complete and clear picture of the situation in this mining area, as to production figures.

Our Union is also of the opinion that if production in this area is to be continued without any decrease whatever we believe it to be very important that the future of the industry as a whole should be safeguarded especially concerning small operations. There were a number of small coal mines in this area which are now completely closed down and gradually going out of existence because of the competition on the markets and other demands that are constantly being made upon them as producers of much of the domestic coals of this area. We believe that the Commission should look into the small operations and workings and some satisfactory solution to this problem be arrived at if the future welfare of the coal industry is to be safeguarded against. There must be co-operation and planning of methods of production and distribution of the coal industry in this province if the mines are to continue to grow and expand for the welfare of both the mines and the mining industry.

WELFARE OF THE MINERS

The Mine Workers Central Union being the organized expression of the miners believe that for the good and welfare of the miners the housing situation around the mines should be kept in the best state of repair and sanitation, and if alterations for housing larger families in these homes should be needed that this should be done from time to time, this eliminating overcrowding and causing an unhealthy situation. We are not casting any reflection upon any company but we believe that in fairness to all concerned that proper housing facilities and water supply are urgently needed and to this

and we believe that proper sanitation for the miners will eliminate many of the hazards that they may be up against.

In some of the mines in this area there is established what is known as the "Sick Fund". To this fund the miner contributes 25¢ per month, and when a miner is sick from some sickness other than those that come under Compensation Act he may draw to the extent of \$1.00 per day for sickness up to \$90.00 per year. Of course this fund is not established in all mines. Although it is a step in the right direction we believe it does not go far enough. We are in accord with the United Mine Workers of America, District No. 18 brief relating to Welfare Fund and Retirement Pensions as stated in their brief on pages 18 and 19.

In conclusion the Mine Workers Central Union are in accordance with the general principles outlined in the brief of the United Mine Workers of America, District 18. We believe that their brief has fully covered the situation of coal mines in Western Canada as it applies to labour and therefore we only submit our views from the local standpoint generally and trust that your Commission will give a serious study to the coal mining industries in our province.

SUMMARY

1. The Mine Workers Central Union believe that labour relations between employer and employee can best be served by organization of the coal miners without fear of discrimination.

2. We recommend that industrial processing plants be established in the Bienfait-Estevan coal mining area and be utilized to fullest extent.

3. We concur with United Mine Workers of America's brief of April 3, 1945 in a National Fuel Policy and the establishment of a National Fuel Board to regulate and assist the coal industries.

4. We recommend better housing and water facilities.

5. We recommend the furthering of the Sick Fund to include all the mines and agree with the United Mine Workers of America's brief in establishment of a Pension and Retirement Fund to assist the miners on their retirement from the coal industries.

BY MR. FRAWLEY: It would not be hard to conclude that your sympathies are with the United Mine Workers of America?

A That's right.

Q You are probably keeping the situation warm until this period of one year and six months has elapsed?

A Well, it just depends on the outcome of the War Labour Relations Board.

BY THE CHAIRMAN: Have you any such thing as a closed town?

A No, we have not. We have the mining camps, but the miner is allowed to buy wherever he wishes and the stores they have at these mining camps compare favorably with the town stores.

Q And generally do the miners in your district rent their houses from the company or do they own them?

A If they live at the camp they rent their houses at a very low rental compared with the town. It is very low.

Q Do you have some farmers coming in to do part-time mining?

A Yes, especially during this wartime period.

Q Do they belong to your Union?

A Yes, it is a closed shop.

BY MR. FRAWLEY: How many miners are there in the Bienfait-Estevan area?

A This winter there must have been 550.

Q How many belong to your Union?

A About 400. Oh, there must have been more than that--650.

Q And of that 650 you had?

A 450.

Q How do the wages in this field compare with the wages in

similar fields in Alberta?

A I think our wages are lower. It is a different operation, different class of coal.

BY THE CHAIRMAN: So they are in Nova Scotia, I think, aren't they?

A Yes.

BY THE CHAIRMAN: I think I can say on behalf of Mr. Justice McLaurin and myself that first of all we have enjoyed our stay here very much, and that we have got some very valuable information. Whether it will be valuable to the coal industry of this province remains to be seen.

We want to thank especially the Government of the Province of Saskatchewan for their very kind reception to the Commission here and the very valuable information they gave us. I am not going to thank them for anything else, because I think they received the thanks they deserved to. We got a free dinner last night, which is all to the good, cut down our expenses a bit, had a very pleasant time, with mostly all the members of the Government present.

We wish also to thank those operators who gave us briefs here. They at least took a brave, frank and forward step in their briefs and we have enjoyed their briefs, I think. We are going down to the Estevan field, I presume this afternoon, just to have a look over the operations there and perhaps to get some idea of the difficulties that your operators have to encounter. Thank you.

12.30 P.M. - COMMISSION ADJOURNED

ROYAL COMMISSION ON COAL

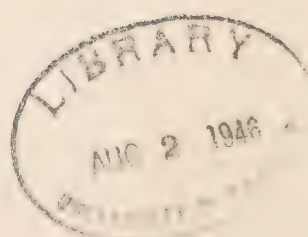
Winnipeg, Manitoba, April 24th, 1945.

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ROYAL COMMISSION ON COAL

Winnipeg, Manitoba.
April 24th, 1945.

The Commission convened at the Court House at
10:00 o'clock A.M. on Tuesday, April 24th, 1945.

PRESENT:

Hon. Mr. Justice W. F. Carroll, Chairman
Hon. Mr. Justice C. C. McLaurin, Commissioner
Angus J. Morrison, Esq., Commissioner
J. J. Frawley, K.C., Commission Counsel
Robert D. Howland, Secretary.

MR. C. P. BURGESS takes the Stand - Exd. by Mr. Frawley

Q. Mr. Burgess, you are the Secretary of the Western Canada
Fuel Association?

A. Yes.

Q. You may proceed with your submission Mr. Burgess.

Exhibit 158 - Submission of Western Canada
Fuel Association.

MR. BURGESS then reads Exhibit No. 158, as follows:

(1) The Western Canada Fuel Association is now in its
twenty-sixth year of continuous operation, is comprised of coal
operators, wholesalers and retailers, extending from the Head of
the Lakes to Vancouver Island, and consists of 1,273 members.
Each division of the industry is given proportionate representa-
tion on the Directorate. The purpose of the Association is to
promote co-operation, co-ordination and good will among the
various component parts of the Coal Trade in Canada, thus further-
ing the best interests of consumer and industry alike.

(2) In the preparation of the submission which follows, the
knowledge and practical experience of members of all branches
have been made available and statistics and material issued from
time to time by both Federal and Provincial Governments have
been employed.

(3) Our approach to your Commission is also based on our
experiences of more recent years as a result of activities in
the field of public relations designed to bring about the

promulgation of a fuel policy for Canada; this means the extended use of Canadian coals by Canadians and involved the dissemination of information through the circulation of brochures along the elected representatives of the Canadian public in Federal and Provincial houses, Government Officials, Boards of Trade, Newspapers and Magazines, Financial Institutions and Service Organizations. We can say now that as protagonists of what has become known as a National Coal Policy we have encountered a wide divergence of ideas and we feel competent to state that no matter what opinions one may express, how sound or otherwise they may be, opposition will usually be found. By the same token, support can be secured for seemingly irresponsible and inept suggestions which, to give them full credit, may be founded on originally sound premises which have become obscured in their development.

(4) This may sound contradictory and not a very helpful statement to make but we have in the Canadian Coal Industry that which should NOT be a wide divergence of interests. Going back to pre-war days we find that those same interests were faced with too many producing mines and insufficient markets for their products; as a result we see them in the throes of what Sir Montague Barlow described in his 1935 report as "Unsatisfactory and even chaotic conditions..... due to excessive competition, unfair practices, price-cutting, wage-cutting, and so on."

(5) It was hoped by a great many that the findings of the Barlow Commission which dealt with the Alberta coal situation in 1935 would result in the Dominion and Provincial Governments coming to effective grips with the Canadian coal problem but notwithstanding the general excellence of his report Sir Montague's recommendations and suggestions suffered the fate of previous Royal Commissions on Coal which went largely unheeded. Realizing that there was already more than sufficient operating properties, it is our considered opinion that in the best interests of the industry no new developments should be permitted until a National Coal Policy has been definitely established.

CANADIAN COAL AND THE WAR

(6) Thus Canadian coal mining continued its "unsatisfactory"

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C. P. Burgess

operations between the two wars; in the West some 1400 properties being opened up in Alberta alone and all but 200 abandoned. It has been said that over the years there has been far more money lost in Canadian coal mining than has ever been made, which indicates that there was either some reason for blind optimism or else coal properties must be able to absorb an undue amount of financial loss. It is perhaps unfortunate that no restrictive powers were invoked to prohibit the inception of needlessly wasteful operations. Coal is wasted in many ways in the winning and it has been authoritatively stated that the percentage of coal brought to the surface is often low. For example, where a thick and a thin seam occur together immediate profit can be secured by working the thick seam only while recovery from the thin seam is lost, probably for ever. Whatever the explanation for the opening up and closing of such a large number of coal mines, the fact remains that when the war came upon us Canadian mines were not only apparently incapable of meeting the nation's total war requirements but official Ottawa was by no means prepared to encourage it to do so. The reason given was that the after-war would find the Canadian Coal Industry in a hopelessly expanded position. This being the case the United States were asked to supply Canada's increased demands and they did so until our imports from that country rose from fifteen million tons in 1939 - the last peace year - to approximately thirty million tons in 1944. (including coke). During the same period Canadian production rose from fifteen millions tons in 1939 to less than eighteen million tons in 1944. There are many contributing factors to this situation, not the least of which is man-power, but no matter what the causes it must be agreed that it is not an encouraging picture from the point of view of the economical utilization of this country's coal reserves, particularly during these stressful times."

BY MR. FRAWLEY - Mr. Burgess, I was particularly struck with that statement at the top of page 3 - "The reason given was that the after-war would find the Canadian Coal Industry in a

hopelessly expanded position." That was why a bigger effort was not made to satisfy all our war needs from Canadian mines?

A. Yes.

Q. Who gave that reason?

A. The Dominion Fuel Board.

Q. Mr. F. G. Neate?

A. Yes.

Q. He told you the reason we were not going to try to get all our coal from Canadian mines was that after the war we would be excessively expanded?

A. Yes.

Q. Was there any suggestion that within a reasonable amount of time, and with a reasonable amount of capital expenditure, Canadian mines could have supplied our war needs in Central Canada?

A. By whom?

Q. Yes, by anybody?

A. Yes, had a policy been put into effect some considerable time before the war, then we would have been in a position to supply a greater quantity than has been the case.

Q. Yes, if the National Fuel Policy (I don't like using that term) or if it had been the policy of the Federal Government for ten years say before the war to have increased subventions, or whatever was necessary to put Canadian coal into Central Canada altogether.

BY COMMISSIONER McLAURIN - But this is a war statement.

BY MR. FRAWLEY - That is the point. But you are saying Mr. Neate said, now that we have a war upon us we do not want to build up production because it would put our industry in an excessively expanded position?

A. Yes.

Q. That is what he told you?

A. I think when we get along we will see where in 1940 the tonnage could not have been done.

MR. BURGESS continues brief.

"(7) Before the war we memorialized the Federal Government

as well as the Governments of the coal-bearing provinces and our approach, for example, to the Rowell-Sirois Commission was based on the premise that economic conditions throughout the Dominion, and more especially in the West, were very unsatisfactory and that a contributing factor to our depressed position was the drain on the resources of this country resulting from the payments that were being made annually to the United States for the importation of some fifteen million tons of American coal. Meanwhile Dominion, Provincial and Municipal authorities in Canada had to find vast sums of money each year to provide relief for thousands of Canadian citizens who either directly or indirectly found themselves denied work in their own country in order that the mines, railways and shipping industries of the U.S.A. could keep their labour market employed at the highest possible figure and efficiency. We were not alone in our representations and in pressing for greater recognition of our Canadian coal reserves we feel that such cumulative representations have resulted in the appointment of your Royal Commission and we submit that in determining the solution of the many situations arising out of Canada's coal position possibly one of the most important factors to be dealt with is our post war trading relationship with the United States.

COMPETITION FROM OUTSIDE

(8) Notwithstanding the fact that normally the mines of the United States export only approximately 3% of their total production to Canada it is nevertheless recognized that this country affords one of the most profitable outlets for American coal and we believe that the findings given by Mr. Frank G. Neate, Deputy Coal Controller, before the Special Committee on Reconstruction and Re-establishment on July 13th, 1942, establishes the correctness of this statement. Mr. Neate said in part: "In 1937 the United States authorities objected to the subvention policy and a committee was formed both here and in Washington to see if something could be done with respect to what they termed the orderly marketing of Canadian coal. They objected to the

Canadian Government subsidizing Nova Scotia coal to enter markets which they had built up over a period of 75 years, and they objected very strenuously.

Q. Mr. Maybank: "Meaning the market in Canada?" - A. Yes. They said: "We have built up this market to some extent. You have depended on us to supply you in times of stress with coal. We want you to play fair with us. We will keep out of some of your markets if you will keep out of some of ours", and at that time we did more than make a gesture. We reduced the subvention to a slight degree and I think probably a little less coal did go into the Province of Quebec so it was a saw-off, but today, gentlemen, we are faced with this issue: we have to beg now to get coal from the United States We are begging now for 20,000,000 tons of coal where in ordinary times 10,000,000 tons is all we require, AND WE WILL BE FLOODED WITH AMERICAN COAL AFTER THE WAR AS WE WERE IN THE EARLY THIRTIES."

(9) We further submit that there is a great deal more of very considerable interest to be found in the transcription of the evidence given before the Special Committee but we quote the foregoing extract as an indication that whatever is done inside this country cannot apparently become *au fait accompli* without also being subjected to the approval of interests outside this Dominion. Information which has more recently been vouchsafed to the Canadian public would also indicate that with the application and broadening of the Atlantic Charter, Russian and Chinese coal may also be expected to seek markets in Canada. British mines most certainly will and they can be expected to find an outlet eager for their products."

BY THE CHAIRMAN - Have you the proceedings of that Committee, Mr. Frawley?

A. Yes, a full report.

BY MR. FRAWLEY - Mr. Burgess, I suppose there is no doubt that that is precisely so? We will be faced with the desire on the part of Great Britain, Russia, (and I have not heard of China before, but perhaps Indo-China), there will be a desire on the

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C. P. Burgess

part of those people to get their coal in here?

A. Yes. We deal with that a little further on.

MR. BURGESS continues brief

"COMPETITIVE FUELS

(10) Other competitors to Canadian coal today stand in prospect of greatly extended use and in due course large supplies of oil, gas and off-peak power will be available both from home production and abroad. These fuels can well be expected to be reasonably priced. They are effective, clean, convenient and of high calorific value. Wood fuel constitutes another factor and notwithstanding some protestations to the contrary it is apparent that little attention is paid to the effect indiscriminate cutting is having on our timber resources.

(11) There will doubtless be placed at the disposal of your Commission detailed information regarding the technical aspects suggested by the tentative classified list of subjects which you may include in the scope of your enquiries. It is not our purpose to attempt to deal with such matters but rather to give you the over-all picture we have gathered during our operations of over a quarter of a century. Thus we would like to suggest that while it is necessary to settle all the problems of production and preparation it is equally important to establish permanent markets for the distribution of the relative products. We have in this country approximately 17% of the known coal reserves of the world, as well as other fuels, yet we do not supply our own needs. The given reason is geographical - an abundance of coal at the extreme ends of the Continent and none in the densely populated industrial areas of central Canada. We also have in this country men of great technical skill, sales experience and a wide general knowledge of the coal business and we shall later indicate how we consider their talents may best be employed. In these days of mooted bi-lateral trade treaties with multi-lateral adjustments the goal we feel that Canada with her relatively high percentage of the world's known coal resources should rank among its greatest producers if future

international trading is to function on a stable and, per se, equitable basis. As a first step, we consider it imperative that a Dominion wide policy, aimed at the greater national use of Canadian coal, should soon be brought into being.

GLOBAL ASPECTS OF COAL

(12) Production and distribution of coal is now on a global basis and we consider it important to recapitulate the ranks and kinds of coal which are to be found in Canada.

Nova Scotia:	Semianthracite; low, medium and high volatile bituminous coals; (The semianthracite is to be found in the Colchester district, a non-producing area at present).
New Brunswick:	High volatile bituminous coal;
Ontario:	Lignite (or brown coal)
Manitoba:	Lignite.
Saskatchewan:	Lignite;
Alberta:	Semianthracite; low, medium and high volatile bituminous coals; subbituminous coals; lignite;
British Columbia:	Anthracite, low, medium and high volatile bituminous coal; subbituminous coal; lignite.
N. W. Territories:	Lignite (or brown coal)
Yukon:	High volatile bituminous coal.

(13) The wealth of material referred to previously which has been published by National and Provincial Research Councils, Mines Bureaux, etc., supports, in large measure, the claim made by our producers that Canada mines good quality coals. We think it important to mention this here because it is not an uncommon experience to hear members of the public and sometimes the Press cavalierly dispose of this great national resource as being inferior to the solid fuels obtainable in and from other lands. We feel confident that it can be established that during peace years the countries exporting coal into Canada paid particular attention to their preparations and consequently built up a market in our most thickly populated areas on the basis of good quality coals, excellent service, favorable stocking terms, effective advertising and attractive prices on the basis of

calorific values. While the field for steam coals was thus completely covered, the anthracite industry catered strongly to the domestic trade in Ontario and Quebec. We believe you will agree that it is only natural for an exporting country or industry to extend itself in the preparation and publicity accorded the product it is seeking to establish a foreign market for, and coal is no different from anything else. Unfortunately, the Canadian coal industry being the type of business that it is, operating largely on a seasonal basis and being dependent upon outside sources for most of its mechanical equipment found, on the whole, that it was extremely difficult, if not impossible, to meet the type of competition established by importing companies.

CANADIAN COALS ARE COMPETITIVE

(14) Given the same operating conditions as those enjoyed by, say, Great Britain and the United States it is the opinion of many engineers that equally satisfactory performance can be secured from coals mined in Canada. While approximately 75% of the coal produced in this country is of the bituminous class (a good storage, weather resistant coal; coking and non-coking types; some lending themselves to briquetting with splendid results and all suitable for steam, railway and domestic purposes), it is the remaining 25% which poses an equally as great if, indeed, not greater problem. Saskatchewan and Alberta contain the largest proportion of the presently marketable 25%.

(15) Dealing with Saskatchewan first, the type of lignite mined there provides an excellent fuel for a more restricted market except when it is subjected to processing. It lends itself to briquetting under low temperature carbonization and while the present output is comparatively small these briquettes enjoy a very popular market. The Government of the Province of Saskatchewan indicated in January 1945 that it, too, proposes erecting a new briquetting plant in the south-eastern area of that province. Saskatchewan lignite also serves the steam-raising market and efficient equipment has been developed which is now in use for the successful utilization of this particular

type of coal. The Saskatchewan field lends itself to strip operations whose low production costs and favorable freight rates to the adjacent and more heavily populated areas make this product a popular fuel. There would appear to be a good future for this field but due to the nature of the coal in its raw form it is not likely that it would find a ready market east of the Great Lakes.

(16) The prodigality of nature and the widely varied richness of Alberta's coal resources coupled with restricted markets highlights the conditions which make Western coal mining an almost frustrated enterprise. The type and qualities of coal found in this province afford practically limitless opportunities for expansion and in addition to other more usual uses, could be utilized for electrical development, carbonization and hydrogenation. Their by-products and derivatives could be further developed if only markets were available.

(17) Alberta produces a coal for domestic uses which has good storage characteristics, free burning, non coking, ignites easily, burns with a long 'smokeless' flame and which could also be used for steam-raising purposes. It can be loaded in box cars and for the most part could be relied upon to carry well.

(18) If, however, it expects to enter the Ontario or any other distant market for domestic coals which is accustomed to stock-piling fuels which weather well then it is the opinion of many that processing will have to become more widely prevalent in Alberta than is at present the case. The prime necessity for successful coal mining in the west is continuous operation and while it is true that there are certain domestic coals from Alberta which will weather fairly well there would not be sufficient to establish and maintain the general practice of stock-piling the raw product in order to build up and serve a permanent market. Imported anthracite, coke and bituminous coal prepared for household use would prove too strong competitors.

(19) The top-grade Alberta domestic coals have splendid characteristics to recommend themselves to the consuming public,

especially when they are fresh but the retail dealer, to say nothing of the householder, demands a fuel upon which he has to take a minimum in degradation. It would appear, then, that if the domestic mines of Alberta are to enjoy a year 'round market serious thought must be given to processing and this matter has long been raised by competent engineers and chemists as well as consumers.

PROCESSING OF COAL

(20) It is well known that during the mining, preparation and handling of coal a large percentage of fines are produced for which there is only a limited market, especially if the coal is non-coking. Briquetting is a process for converting fine coal into a lump product of suitable size and shape for convenient handling. Any type of coal, coke or char may be briquetted but some materials are more difficult to briquette and require far more binder than do others to make a commercial product. Asphalt is the binder most commonly employed in America; in Europe coal tar pitch is frequently used."

BY MR. FRAWLEY - Are not the Canmore briquettes being made without a binder?

BY COMMISSIONER McLaurin - 14% asphalt.

BY MR. BURGESS - There is a binder in the Canmore briquettes.

MR. BURGESS continues brief.

(21) Attempts have been made to take advantage of the binding material inherent in certain coals in order to briquette without the addition of outside binder. This usually involves higher temperatures and pressures than otherwise but the process has not yet reached commercial operation.

(22) We would recommend to your Commission Report No. 35 issued by the Research Council of Alberta in 1944 which deals with the coals of Alberta, their Occurrence, Analysis and Utilisation. The Research Council of Alberta has in its laboratory two semi-commercial briquette presses. Over the years a series of tests have been made with these to study the conditions essential for making good briquettes economically with the

different grades of coal and with the regular binders. A long and careful survey has also been made for a satisfactory cheap binder but so far the engineers and chemists employed have not been rewarded for their painstaking efforts. At the present time the Council is conducting a study of the binderless briquetting of certain Alberta coals.

(23) There are, of course, briquettes of different types already being produced in Alberta in commercial quantities. These constitute fuels of first rank and have largely solved the problem of fines for their producers. In addition to being a first class commodity, the briquettes store exceedingly well and indefinitely. In view of the restricted marketing area it has apparently been considered inadvisable by private mine owners to attempt to secure funds with which to extend briquetting plants and this is quite understandable. There are many important factors entering into the production and distribution of a high quality, weather resistant fuel with which to service, say, the Ontario market not the least of which is cost. It would seem that there is little use in producing briquettes or any other high grade solid fuel if it cannot compete in price as well as calorific value in the central Canadian market. Since the National War Labour Board, acting in behalf of the Canadian Government, caused an upward revision of the wage schedule against the experienced judgment of the operators this has resulted in what appears now to be a permanent structure. Such being the case we submit that Government has an equal responsibility to establish suitable markets.

PERPETUAL PRODUCTION NECESSARY

(24) In order to enjoy continuous operation rather than seasonal activity it is apparent that in formulating a fuel policy for Canada recognition must be given to the position of coal in its relation to other fuels such as gas, oil and hydro-electric power. The operation of coal mines affords one of the greatest means of supplying employment not only for those who mine and distribute the coal but to the Canadian railways and all those dependent upon transportation for their livelihood.

Insofar as mine labour is concerned figures made available for the Coal Controller for the year 1943 indicate that labour receives approximately 60% of the gross operating costs. A matter of prime consideration to be settled by Government is the relative importance of the Canadian coal industry as a long term employer of labour both directly and indirectly. Seasonal employment breeds trouble and hardship which adds materially to production costs.

(25) It cannot be successfully denied that the general public does not like buying and using coal when it can obtain a more convenient and readily available method of generating heat. For this reason we feel there is always a tendency to swing away from coal. Notwithstanding the oil shortages of the earlier war years, there has been some reversion to oil burners in recent months and trade and other periodicals indicate that the producers of oil and the manufacturers of oil-burning equipment have already commenced a comprehensive campaign to capture new markets and re-capture the old. Insofar as the West is concerned it is conceivable that the prairie provinces may have larger quantities of fuel oil and natural gas for general consumption after the war than has ever before been the case. Similarly, the tonnages of coal now being consumed in the Province of British Columbia can be expected to shrink drastically in the near future. Your Commission will have had made available to it, figures over a period of years showing the trend of that market and we would also refer you to the submission of Canadian Collieries (Dunsmuir) Limited, to the Tariff Board in 1935 when it dealt with the oil situation in that area.

(26) As a result of research during the past five years several new methods of heating have been brought into efficient use and are operated through the media of electricity and petroleum products. The very nature of the organization of the oil and electrical businesses makes it impossible for an un-organized coal industry, burdened down with high costs, and hemmed in with its pitifully limited markets, to place itself in a position where it can counter such ambitious and well

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financed plans as its opposition is capable of promoting.
It simply has not the back-log of capital."

BY COMMISSIONER MORRISON - That is not general though, Mr. Burgess, when you say that the coal industry is an unorganized industry? What do you mean by that?

A. By unorganized?

Q. Unorganized industry, yes?

A. The term that I would probably substitute for "unorganized" would be "Cinderella".

Q. Without getting into the operative, perhaps you can find a better word than Cinderella?

A. I can't think of a better word than unorganized. We are not organized against this type of competition.

Q. But you are not serious when you say that the industry is unorganized, is an unorganized coal industry?

A. It all depends on your interpretation of the word "unorganized". What I meant was that the coal industry is not in a position to financially organize itself to meet the competition it will have to meet.

Q. I have found it extremely well organized at times, on certain issues particularly.

BY MR. FRAWLEY - That is the predecessors..

A. I am not referring to the predecessors, but to the coal industry as a whole.

BY COMMISSIONER MORRISON - For instance take the Western Canada Bituminous Coal Operators' Association. I think some of their members are members of your Association. I think it was suggested by Mr. Stubbs that the Bituminous Coal Operators was an organized industry. I am afraid there might be an argument there.

A. I am afraid we are at cross purposes. I am not suggesting that they have not good organization within their organization. But on the whole they are unorganized as against those other fellows who can market their product against them.

Q. What you are really referring to is the effectiveness of one

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organization against another?

A. Well, yes.

MR. BURGESS continues brief

"MARKETS FOR COAL

(27) It is therefore not easy to assess the permanent value of present markets and we submit that it is a much more difficult task to estimate the possibilities of potential ones until full and truthful answers are given to the questions your Commission has indicated it is going to ask of those best qualified to give such pertinent information. For good and sufficient reasons a good deal of the data you require will have to come from sources which have never been officially open to this Association."

BY COMMISSIONER MORRISON - Meaning what Mr. Burgess?

A. You mean by the whole paragraph?

Q. The last part of it?

A. "For good and sufficient reasons a good deal of the data you require will have to come from sources which have never been officially open to this Association"? We have not been able to get information with respect to markets. For instance as we will suggest a little further on, we do not know how far this country has been committed with its treaty with the United States. We have upon occasion attempted to get information from Ottawa which we have been told was confidential; and there are many things which may appear on policies which cannot be made available to us, but which will be available to the Commission.

BY COMMISSIONER McLAURIN - Give us a concrete instance of what you have asked for and didn't get?

BY MR. FRAWLEY - What did you ask for, and who told you it was confidential?

A. For one thing, we wanted to know what arrangement had been made for specific quantities coming from the United States.

Q. When?

A. Back three or four years.

Q. You asked what arrangements were made between the Dominion Fuel Board and United States?

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A. Yes.

Q. And what were you told?

A. That that was between Ottawa and Washington.

Q. Who told you that?

A. The Coal Administrator at that time.

Q. Who beside Mr. Neate?

A. Mr. Stewart.

Q. Mr. McGregor Stewart and Mr. Neate?

A. Yes.

BY COMMISSIONER McLAURIN - Was it you that asked him?

A. Yes, I was in Ottawa at the time.

Q. Was it verbal or written?

A. It was verbal, nothing written.

Q. Have you another instance? That is a war-time situation.

A. Before the war as far as I was concerned I was new at this business and we had not really got started on this.

Q. Can you cite us another example of the generalization of the last sentence you just read?

A. Yes, we have the matter of a statement that was made to me by, as a matter of fact the Minister.

Q. What Minister?

A. Mr. Crearer. That it had been necessary in order to save the livestock industry to sell coal down the river. That was the term that was used. But the point was that the American operators wanted the Ontario and Quebec market which was referred to, and the deal was that we should sell a hundred thousand head of cattle to the United States. Outside of personal conversation, there is no way of establishing that through correspondence.

Q. That is not a case of not getting information. That is a case of getting it.

A. Well it was getting it when it was all over. Had we had an opportunity of finding out what was going on..

Q. But that is not where the information was not available?

A. But if we had got that before the deal was made.

Q. When did you try?

A.

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A. That is going back to Major Lipsett's time. He made application as a matter of fact to sit in and discover what was going to be included in the United States - Canada Trade Treaty.

Q. When was that Mr. Burgess?

A. 1937 or 1938.

BY MR. FRAWLEY - As a matter of fact don't you think that is one of Canada's problems, to try and find somewhere to sell its livestock, and maybe use coal as an exchange. Are those not important international circumstances after all?

A. Yes, but naturally when you are in the coal business you don't like to see your product being bartered.

Q. But we have to look at this thing from the broad standpoint.

A. I realize that.

Q. These things are all very obvious and self evident, that Pennsylvania and Virginia coal fields are the natural places where Quebec and Ontario should be getting their coal, everything else being equal.

A. Yes.

BY THE CHAIRMAN - There is nothing secret now about the present arrangements between United States and Canada about the supply of coal?

A. No.

BY MR. FRAWLEY - It is not the basis of any secret treaty?

A. No.

Q. They simply look upon it as their market and send coal in there just like they send it into the United States?

A. Yes.

Q. No difference at all?

A. No.

MR. BURGESS continues brief

(28) Once well defined markets have been established for Canadian coals, and this we anticipate when your findings are made known, there is one circumstance which seems to us to be inevitable and that is the greater development and use of coal-burning mechanical equipment in all sizes, to be sold at prices

within the reach of the average consumer. Producers of oil and gas sell their commodities in only a secondary manner; the equipment is the first consideration and is sold under the most favorable terms thus making the entire combination very attractive. In recognizing that price is a factor these competitors to coal capitalize on their facility of operation, no ash disposal problems, cleanliness and other potent points which have such an appeal that the Canadian coal trade must make up its mind to engage in similar modern methods if they are to enjoy a satisfactory market.

(29) To pursue this matter of markets a little further we are giving the following round figures taken from Coal Statistics for Canada, 1939, this being the last peace year, and showing the annual consumption of coal in this country, including railway coal (approximately 7,000,000 tons):

Prince Edward Island.....	100,000 tons
Nova Scotia.....	2,900,000 tons
New Brunswick.....	1,000,000 tons
Quebec.....	5,100,000 tons
Ontario.....	11,400,000 tons
Manitoba & Head of Lakes.....	1,700,000 tons
Saskatchewan.....	1,500,000 tons
Alberta.....	3,700,000 tons
British Columbia.....	1,700,000 tons

These are, of course, approximate figures as the annual consumption varies each year in accordance with conditions but they give a fair picture and show where Ontario and Quebec require more than half of the Dominion's yearly requirements and all of which has been imported."

BY MR. FRAWLEY - That struck me. Is that a correct statement? What do you mean when you say - "Quebec and Ontario require more than half of the Dominion's requirements and all of which has been imported?"

A. On yes. Not necessarily from the United States and Indo-China, but from other Provinces too. They don't produce any

themselves.

Q. From the Dominion Coal Company of Sydney, Nova Scotia?

BY COMMISSIONER MORRISON - It comes across the Strait of Canso.

BY MR. FRAWLEY - Yes, that is right Sir. It is imported from Cape Breton.

MR. BURGESS continues brief

In peace time, Canada's annual coal needs were placed at 30,000,000 tons but in 1943 they rose to 48,000,000 and with the cessation of hostilities it is reasonable to assume that our home demand will decline sharply.

(30) With respect to coal consumed in Canada by the railways and industry the figures made available in the more recent editions of the Canada Year Book, used in conjunction with other statistics, would indicate that 40% or more of the total annual production and imported coals are thus used. In 1939 there were some two and one half million housing units in Canada, including apartments, and after allowing for the use of gas, oil and wood fuel it would appear as though the average overall consumption of coal for household purposes would approximate seven tons per coal consuming unit. This would appear to be high but we believe it logical to assume that the trend will be downward due to more scientific methods of insulation, construction and the greater use of mechanical heating equipment in prospect for both coal and other types of fuel.

(31) The Canadian coal problem is originally a peace time problem and had it been solved before the war the coal reserves of this nation would be playing a far greater part than is now the case. The effect of the war on the western coal industry has been one of dislocation in that it was forced out of markets it had been trying for years to establish and made to serve temporary consumers. For some time during the war years western mines have been shipping to the Western States but it is realized that under present arrangements this does not constitute what might well be a permanent market for our coals. The Federal Government has already entered a new field of economics - post-war planning. By this new departure may be settled the fate of private

or free enterprise. Evolution and revolution go forward and the purpose of such planning should be to expand international relations so that the best interests of all nations shall be served. In this manner can the greater utilization of Canada's coal deposits be brought about. As in other matters, it will doubtless involve major political discussions and if the nations can be brought to an agreement to use their powers for co-operation instead of competition then the Canadian coal industry could make its full contribution for the good of the country.

(32) During these times of stress Canadian coal has had to save the day, without notice, when fuel oil, sawdust, natural gas, wood and hydro-electric power became, in many instances, war casualties.

THE IMPORTANCE OF THE RETAIL COAL DEALER

(33) We consider it desirable at this juncture to bring to your attention the position of the retail solid fuel dealer operating in western Canada. They have gone through a very trying period since the first world war. During the depression they were faced with unsatisfactory credit conditions which entailed losses, in countless instances, which had to be absorbed from narrow margins."

BY COMMISSIONER MORRISON - What do you mean by narrow margins?

A. Small.

BY COMMISSIONER McLAURIN - Not enough?

A. Not enough.

BY MR. FRAWLEY - It is more than \$1.00?

A. Not in some cases. In some cases less than \$1.00 in rural areas.

Q. In some cases?

A. In many cases.

BY COMMISSIONER MORRISON: - Less than \$1.00 margin?

A. Yes, especially in Saskatchewan. I think probably that will be brought to your attention.

Q. They must have a large turnover?

A. No, some of them have very small turnovers.

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BY MR. FRAWLEY - There is a relief margin which has become normal?

A. Yes.

BY COMMISSIONER MORRISON - You are not suggesting that \$1.00 per ton is the normal turnover in the retail coal?

A. Oh yes, in the Province of Saskatchewan, definitely. I was ~~Assistant General Manager~~ of Saskatchewan Relief Commission when we set that dollar.

BY COMMISSIONER McLAURIN - Are you talking net?

A. No, gross, gross margin.

Q. Not in Saskatchewan?

A. No, I am talking about the rural areas.

Q. You mean some country point where the farmer comes and empties it out of the car?

A. In some cases in the last few years. This went back to the early /30's.

BY COMMISSIONER MORRISON - These people that you know from practical experience that are operating on the dollar margin, we are talking about retail coal dealers, they remained in business and they remained solvent? I don't want anything general, but I want the people you specifically said you had personal knowledge of.

A. Yes, they stayed in business.

Q. And they remained solvent?

A. Yes.

Q. I am asking you that and you say you have personal knowledge. I want to know about that, not about hearsay.

A. No.

Q. Definitely?

A. Yes.

Q. Then I know some coal dealers that must be making money because they are operating on a greater margin.

A. Yes, that is quite true, but there are a great number operating at less than a dollar. That is very true.

MR. BURGESS continues brief.

Their overhead, taxes, licenses and other charges had to be met in the face of declining business and in the cases of provinces which were struck for many consecutive years with drouth and other depressed conditions a very low mark-up based on bare handling charges was arbitrarily set by the Provincial Governments affected. This is particularly true of the rural areas and the situation was never properly overcome due to the longevity of the drouth and the resultant habits of consumers. In other words, it set a price for coal and fuel wood which certainly did not encourage dealers to remain in business on a twelve months a year basis. Nevertheless, the majority did continue to operate and when the basic period was announced their mark-up was frozen at a depression level. We submit that the main reasons most coal retailers have survived during the past five years are that they enjoyed an increased volume of business due to war conditions; that the Government conducted campaigns designed to persuade consumers to purchase their fuel on a year round basis; that credit risks did not enter into the picture to anything like the same extent as before the war due entirely to the fact that present conditions had placed infinitely more money in circulation throughout the rural and other areas. By thus prevailing upon the public to buy their coal much earlier than had ever before been the case retail dealers were able in many instances to make deliveries off-car and thus save double handling charges. This was perhaps the main saving grade as wages for yard, handling and unloading help, to say nothing of truck drivers, advanced sharply as also did taxes and other imposts levied against retail fuel dealers and others. These all had to come out of the frozen mark-up, including demurrage resulting from man-power shortage."

BY MR. FRAWLEY - You are rather commending this off-car delivery system. We are told that is pretty bad business for the man who is trying to sell coal and maintain bins, and so on.

A. At this particular time it has been very desirable to do that

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because all through the war years the pressure has been put on the mines to keep the coal coming out, and there are only limited storage facilities throughout the rural areas, and if the people didn't take the coal off-car, then the dealer could only fill up the space he has.

Q. I think there is such a thing as exaggerated evils. It is a way of getting the cheapest possible coal to the consumer?

A. Right.

Q. But it may do some damage to the little coal dealer who is trying to stay in business?

A. Yes, but he can sell off-car too, if he wants to.

MR. BURGESS continues brief.

(34) The position of the retail dealer both before and during the war has therefore been a difficult one and he is asking himself what he can expect during the post-war period. Under the regulatory powers exercised by the Coal Control, the Wartime Prices and Trade Board, Wood Fuel Control and National Selective Service he has, in the main, been able to survive and the circumstances which contributed mostly to his ability to do so can be laid to year 'round operation, off-car sales and the general willingness of the public to recognize a war-time emergency, but he feels the future is nebulous.

(35) We submit that if the Canadian coal industry is to enjoy its proper place in the economy of this country, consideration must be given to the importance of retail coal dealers in our distribution system. He is the man who has to meet the service and public and if he feels that he is not being equitably treated we feel that the manner in which he conducts his operations will not be conducive to the best interests of the industry as a whole. We take it that your Commission is primarily concerned with the production and distribution of coal and coke on a plane which possibly does not reach to the retailing of solid fuels in the cities, towns, hamlets and rural areas of this country but we trust that you will give thought and action to their position to the end that their status will be such that they can promote the

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greater use of Canadian coals with enthusiasm and at a profit commensurate with their investment, service and effort."

BY COMMISSIONER MORRISON - You have dealt rather extensively with the importance of the retail coal dealer. Have you some wholesale coal dealers who are members of your Association?

A. Yes.

Q. Do you deal with them in your brief?

A. No. I must confess that I have not.

Q. I was looking through and inasmuch as you were stressing the importance of retail coal dealers, I was wondering if you had some wholesale dealers who were members of your Association, and I was wondering if you would let us have the benefit of your experience as to what importance they are.

A. They are part of the distribution system and as such, without being mentioned, I suppose we had them in mind, but they are the ones who actually sell the coal.

Q. The fact that you have left them out entirely, I would infer from that that you had forgotten about them and didn't regard them as very important?

A. Not at all.

Q. You didn't overlook them intentionally?

A. Not at all. As a matter of fact we expect them to speak for themselves. That was the thought we had in mind originally.

BY MR. FRAWLEY - The Occidental and others are pretty important members of your Association?

A. Very definitely.

Q. They have no problems apparently. You are not urging us to do anything for or on behalf of them, or to keep them in mind, like the retail dealers?

A. As I say, the wholesalers will speak for themselves.

BY COMMISSIONER MORRISON - Well Mr. Burgess, someone told us somewhere that they were very important.

A. They are the people who secure the production from the mine and contact the retailer, and advertise the coal, and I think perhaps the reason why we didn't stress them is that they are

quite capable of taking care of their own business.

Q. You are not suggesting that the retail fellows are not very capable chaps?

A. Quite true. But the point we are making is that it is the retailer who is up against the public, and he is the man who decides whether the coal business will succeed or fail, because he is the man who contacts the public.

Q. He is important, but the producer is pretty important, and if you take the stand that the retailer is more important than the producer is..

BY MR. FRAWLEY - These big wholesalers actually finance the mine in some cases?

A. Yes.

BY COMMISSIONER MORRISON - In some cases they own the mines and should finance them?

A. Yes.

BY MR. FRAWLEY - Those payrolls could not be met we are told without help from some of these wholesalers?

A. Quite true.

BY COMMISSIONER MORRISON - Some of them get their commissions pretty easily?

A. I would not say that; they keep a sales force and undertake the advertising and in a great many cases assist with the payrolls.

Q. In the last five years the most advertising I have seen is "save one shovelful in five".

A. True.

Q. You are not suggesting that they spent much in the last five years in advertising? Sit around in the office and collect commissions from the producers?

A. But before the war they were the ones that went out and made markets for those mines.

Q. We will call them "forgotten men" so far as your brief is concerned, anyway.

MR. BURGESS continues brief

CANADIAN COAL RESERVES AND THEIR POTENTIALITIES

(36) Canada's enormous deposits have been estimated by the Geological Survey of Canada as follows:

Nova Scotia.....	9,719 Million Metric Tons
Saskatchewan.....	59,812 Million Metric Tons
Alberta.....	1,072,627 Million Metric Tons
British Columbia.....	76,035 Million Metric Tons

It was discovered from a survey we made in 1940 that with the labour supply then available the 43 most important coal mines in Alberta - under their then state of development - COULD produce 9,268,200 tons per annum.

BY MR. FRAWLEY - Could you let us have that survey you made in 1940? Who was it that said those Alberta mines could produce over nine million tons?

A. We canvassed the mines and asked them.

Q. Sort of questionnaire?

A. Yes.

Q. If we want them, I suppose we can get it at your office?

A. Yes.

MR. BURGESS continues brief.

Figures for 1939 show that those same mines by working an average of 142 days in the year produced 4,652,392 tons. An economical and manpower loss involving 4,615,808 tons. This is typical of the pre-war history of Western Canadian coal mining.

BY MR. FRAWLEY - Just going back. Surely they must have meant with some more capital, and some more "if's".

BY THE CHAIRMAN: - They had a production capacity?

A. Yes.

BY MR. FRAWLEY - This word "capacity". They had. They had manpower and equipment. All they had to do was have the orders and they could produce the coal?

A. Yes.

Q. That is what your questionnaire told you?

A. Yes.

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BY COMMISSIONER MORRISON - I think it is very conservative.

BY MR. FRAWLEY - So you are not going to cry down Alberta mines?

A. No.

MR. BURGESS continues brief

(37) We submit that both the people and the Governments in the Dominion of Canada are not yet fully alive to their own best interests insofar as Canadian coal reserves are concerned. Those primarily affected with the production and distribution of Canadian coal mines are the 28,000 miners and mine workers, the coal operators and the railways. In 1942 the railways moved some 300,000 cars of revenue freight coal and this commodity ranks second only to grain and grain products in the special categories published in "Car loadings" issued by the Dominion Bureau of Statistics.

(38) In times of peace, lack of revenue caused railway deficits and losses; short time and unemployment for railway employees; while there were adequate equipment and locomotive power to move all the coal Canadians require. At the same time it is believed that nearly half Canada's coal came to her mostly water-borne by boats owned by interests not Canadian. Mines and miners outside this country secure their living from Canada while our own material and human resources remain idle.

(39) Ontario and Quebec have established themselves as industrial provinces by relying on the importation of coal and coke from other lands but they rely on the western provinces for well over 30% of their market in which to sell their manufactured goods. Goods produced and distributed under a protective tariff, though at the same time it was held by Government that to mine and ship Canadian coals to Ontario and Quebec under subvention is economically unsound. When, however, these two industrial provinces experienced difficulty in getting fuel supplies earlier in the war, Government reversed its stand and encouraged Canadian mines to produce as they had never produced before, for shipment to Central Canada. When the American situation eased somewhat

an embargo was placed on western coals entering into Ontario. We submit that under existing conditions it is readily discernable why such a short-term and uncertain subvention by Order-in-Council policy makes it impossible to build a satisfied market on a permanent foundation.

BY MR. FRAWLEY - You say - "at the same time it was held by Government that to mine and ship Canadian coals to Ontario and Quebec under subvention is economically unsound". I don't quite understand that.

A. Well it was a question of the amount of subvention. The subvention in effect in many places is really not sufficient to make those coals competitive, and the argument advanced that it is not sound to increase the amount of that subvention.

Q. That is just a little bit different. Those phrases can be misunderstood. Because there have been millions of tons of Nova Scotia coal moved from 1932 to 1939 into central Canada under subvention.

A. Yes, but generally speaking, this subvention policy is not sound.

BY COMMISSIONER McLAURIN - You said it was not enough?

A. Yes.

Q. Has there been any year when the subventions voted was not enough?

BY MR. FRAWLEY - Do you mean the amount of money, or the amount per ton?

A. The amount per ton.

BY COMMISSIONER McLAURIN - Then, to be specific you say the \$2.50 for Alberta is not big enough?

A. No.

Q. What do you say it should be up to?

A. That subvention must be based on the price of coal coming in from other countries in order to make it competitive.

Q. If you are going to "up" the subvention to more than \$2.50 the competition is pretty well run out of it?

A. It is from that point of view, but how else will we utilize

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these Canadian resources without assistance.

Q. You say \$2.50 is not enough. What do you suggest it should go to?

A. I agree with Sir Montague Barlow who said subvention should be \$3.00.

Q. You are not suggesting, or submitting, that it should be more than \$3.00?

A. Not at the moment, Sir.

Q. But by tomorrow you may say \$3.50?

A. You can't determine because your prices do not remain constant.

Q. So what you want is a big enough subvention to keep out American coal, or, to use your own term, to make it competitive with American coal?

A. Yes.

Q. And if it amounts to \$4.00, you would say \$4.00?

A. Yes, to make it competitive.

MR. BURGESS continues brief.

(40) In presenting to your Commission the handicaps under which Canadian coal producers operate we believe that we have demonstrated that American coal operators, assisted by their Government, have acquired and maintained a profitable market in Ontario and Quebec and under the circumstances this is to be expected.

BY MR. FRAWLEY - You say you want enough subvention on Western coal to make it competitive to coals going into Ontario from other countries? Into Ontario, or Ontario and Quebec?

A. Both.

BY THE CHAIRMAN - At the present time?

A. Yes. On our Western coal to Quebec there is no subvention.

BY MR. FRAWLEY - Do you accept the fact that there is no subvention? Why was it that the Province of Ontario is the boundary line for this subvention? Apparently it was whenever the freight rate is \$8.00 or more into Ontario. Why did they say Ontario? Why didn't they say wherever in Eastern Canada the freight rate is \$8.00 or more?

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A. Ontario is the market the producers were trying to establish.

Q. The producers asked for Ontario, and got Ontario?

A. Yes.

Q. And now they find there is some development along the Ontario-Quebec line and they are shut out from the Quebec markets because of that Order-in-Council?

A. Yes.

Q. Have they ever done anything to have that changed?

A. I have not, but I have no doubt some of the producing organizations have.

Q. Getting back, by and large you understand that Nova Scotia coal is given such aid as will allow it to compete in the central Canadian market with imported bituminous coal?

A. Yes.

Q. That is how they got the account of International Copper Cliff?

A. Yes.

Q. Are you saying that you want that same point developed to where the Drumheller coal can go in and supplant the American anthracite? Do you think the subvention should be big enough to push Drumheller coal into Ontario so that it can compete, even if it has to be three or four dollars?

A. Yes.

Q. That is your contention, that it is sound national policy?

A. Yes.

BY COMMISSIONER McLAURIN - Let us not argue about that, we know what his submission is.

BY MR. FRAWLEY - What does that mean Mr. Burgess?

A. The producers of American coal.

Q. How are they assisted?

A. The only way I can answer that, when you go to the Coal Control - I have just come back from Washington, and treaties are made by Washington which enable their coal to get into those markets.

Q. I want to develop that. Who tells you these things, Mr. Neate?

A. Yes, or whoever we happen to be discussing it with in Ottawa.

Q. Who else would tell you those things?

A. The Minister of Trade and Commerce for once Mr. Canning, and Mr. Crearer.

Q. You said the people in Coal Control?

A. Yes.

Q. And these two Ministers?

A. Yes.

Q. When you say how the American Government assists the coal industry..

A. Let us put it this way. They assist the American coal industry by making treaties and providing a market for the products of the American mines.

BY COMMISSIONER McLAURIN - What treaties?

A. We are going back again now to the Canada-United States Trade Treaty with exchange of cattle for American coal, and we submit that the American Government must have assisted the coal industry in that regard.

Q. The Treaty of what year?

A. All this happened in 1935-36.

Q. A Reciprocity Treaty whereby the United States reduced its tariff under Mr. Roosevelt's authority to 50% of the Smoot-Hawley Tariff?

A. Yes.

Q. And did we reduce our tariff on bituminous coal at that time

A. Coming into this country?

Q. Yes?

A. I really don't know.

Q. We didn't. We kept it at 75%. We made a pretty good trade at that time. Anybody who went over that deal concluded that Canada did better than the United States.

BY MR. FRAWLEY - We don't know of any assistance of that kind that is given to these American bituminous or anthracite purchasers.

BY THE CHAIRMAN - The instance he gives would only incidentally help them anyhow. That was not the purpose of any agreement that was made at that time?

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A. No.

BY COMMISSIONER McLAURIN - We stood pat in 1936 with our then duty on bituminous. We didn't give away anything. Kept what we had and got recessions from the United States.

BY MR. FRAWLEY - Without laboring it, do you know of any other specific thing you can point to by way of assistance by the United States Government to the United States coal operator.

A. (No answer).

(page 2682 follows)

MR. BURGESS continues brief:

By the same token we feel there is no good reason why the Canadian Government should not heed the requests for the complete use of our nation's own coal by the Canadian people.

BY MR. FRAWLEY: I don't like to keep interrupting all the time, but do you mean that to be read literally, that there should be complete use of Canadian coal by the Canadian people? I mean that not a pound of American coal should come in?

MR. BURGESS: Well, of course that is bound to happen. There will be certain areas where American coal would have to come in.

Q You put it into areas, do you?

A Yes.

Q Well, as to any area where there should be complete use of Canadian coal by Canadian people. What do you say about that?

A All I can say about this, at the time Hon. W. A. Gordon was Minister of Mines he had a scheme for taking Western coal to a certain point east and Eastern coal to a certain point west, and then in the middle of Canada that area closest to the American field would be open territory.

BY COMMISSIONER MORRISON: Who was that Minister?

A Hon. W. A. Gordon.

Q You say he had a scheme?

A Yes.

Q Did he reduce it to writing?

A I don't believe he ever did.

Q That was a kind of informal discussion, a pious hope?

A Yes. I think the British North America Act entered into the picture too.

BY COMMISSIONER McLAURIN: It does at times. We have got to work within our framework.

BY COMMISSIONER MORRISON: A Calgary citizen now living abroad

had a scheme in 1930 that I remember, but he conveniently forgot about it.

BY MR. FRAWLEY: I am only struck with the largeness of that expression and I think you don't mean it to be read literally?

A Not too literally, because obviously, for many years to come at any event, we will have to rely on outside sources for some fuel.

Q Even if it were physically possible your Association would not want to advocate that sort of economic nationalism, would it, Mr. Burgess?

A No, I don't think it would.

BY COMMISSIONER McLAURIN: But he did. He just got through saying that he wanted coal subventions up to the point where it would be competitive with American coal.

A The public would still have its choice.

BY MR. FRAWLEY: If it were only a matter of choice, if you had a Government fuel policy which gave the Canadian operator a chance to go in and meet the price right to the decimal point on American coal, well then, unless quality was a very large factor you would find that particular Canadian consumer desiring to follow the policy of his Government and buy the coal?

A We would hope so.

Q Just like the Nickel Company displaced Virginia coal and took Nova Scotia coal when the Government allowed Nova Scotia coal to compete right to the cent?

A Yes.

Q If you applied that on the Western movement you would really, as Mr. Justice McLaurin points out, keep that American coal effectually out?

A Well, the sales effort there would enter the picture, and competition.

Q Quality of the coal would also have a lot to do with it?

A Yes.

BY THE CHAIRMAN: Wouldn't it imply a little more than absolute competition to keep American coal out?

A Yes. If the West and East of this country could get coal into Ontario at a competitive price that would not keep the American coal out unless our salesmanship improved.

BY MR. FRAWLEY: That would not keep it out? You would have to improve it and then some? Well, all right, Mr. Burgess.

MR. BURGESS continues brief:

If Canadians do not attempt to develop and utilize their own resources and make an effort to secure those sources of added national wealth, their coal will be relegated to the background and nobody will be happier than the operators in those countries who are astute enough to secure the Canadian market. It is our understanding that the matter of common-carrying charges will be completely covered by your Commission and in the working out of the mechanics for the operation of a national fuel policy, which must include Canadian freight rates, we feel that no offence need be given to the United States. The American coal interests are business men and they will understand the action of Canadians when they institute a workable national coal policy and avail themselves of a birthright which is rooted in their own soil. It may be that in expanding Canadian production on a permanent basis this country could enjoy a substantial market in the United States. Canada has been termed as a country thousands of miles long and an inch wide yet her major traffic has been south to north and by proper representations we submit that coal could be made a north to south movement. We do not know to what extent this country is committed in her existing treaty with the United States but there was a time when the mines of Nova Scotia shipped to the New England states and the mines of the west shipped to the Western States. Now Canadian coals are ordinarily shut out from the United States to almost the vanishing point.

BY COMMISSIONER McLAURIN: Why?

A I don't know why, but they have been.

Q Is there a tariff?

A No, but there is the Interstate Commerce Commission. I know of one case of a mine in the Crow that a few years ago had a contract to supply the schools in Spokane. They went in and competed with American coals on price and quality, and they were denied entry by the Interstate Commerce Commission on the grounds that American coal must be used by the schools in that country.

Q I think you have got that all twisted.

BY COMMISSIONER MORRISON: To keep the record straight, I know the case you are talking about. Wasn't that due to an act passed by the House in Washington State, State legislation that provided that coal used in public buildings had to be mined within the state, not by the Interstate Commerce Commission?

A Well, that may be, but it was effectively stopped anyway.

BY COMMISSIONER McLAURIN: Yes, but you loosely said the Interstate Commerce Commission, but this is a matter of public policy of the United States.

A I believe that the Interstate Commerce Commission was in some way implicated.

Q They may have given a rate to move the coal. We do the same thing with our Board of Transport Commissioners.

A Yes, that is true. It may have been a state act, but in any event it was prevented.

BY COMMISSIONER MORRISON: On account of state legislation which specifically provided that coal used in public buildings had to be mined within the state.

BY THE CHAIRMAN: If Ontario did the same thing it would be a great help.

MR. BURGESS continues brief:

The American Government and coal industry know these and kindred facts so we feel there should be no fear of

antagonizing our friends to the South if this matter is handled with ordinary diplomatic practice.

BY COMMISSIONER MORRISON: I don't think we should be much concerned about offending anybody in dealing with a national matter, Mr. Burgess, do you?

MR. BURGESS: No, I don't think so.

BY COMMISSIONER McLAURIN: Not if we can get away with it. It might stab you somewhere else.

MR. BURGESS continues brief:

PROFITABLE FOR CANADA TO EXTEND USE OF HER OWN COAL

(41) We anticipate that the information you secure as a result of questions arising out of the subjects your Commission originally listed will convince you that the institution of a national coal policy will bring about improved conditions in Canada in the post-war era as compared with the pre-war situation of desolation and depression. We would therefore like to record our feeling that the principal features of the Canadian fuel situation are: (1) Canada has tremendous coal resources capable of supplying the entire country for hundreds of years to come; (2) her fuel is available for all national markets without further investment with respect to distribution facilities; (3) she has an extensive network of railways and waterways; (4) the various types of coal produced are highly satisfactory for railway, industrial and household use; (5) in meeting the requirements of the domestic market through processing would ship and store well. The chief handicap is the distance from the mines to the most highly industrialized and densely populated areas, resulting in too intense competition with foreign supplies.

(42) "National" means the subjugation of all minor interests of the Dominion and not merely the abandonment of local and provincial autonomy in favour of the wider sphere of the Dominion Government. The nature and situation of the coal deposits make the problem one of national scope and Canada is a Nation.

It is manifest, then, that it would be profitable for Canada to utilize her own coal, to found new industries upon it and add to the newwealth thus derived. Increased haulage would be provided for the transportation concerns. All would add to the population which in turn would stimulate the production and consumption of agricultural products, manufactures and services.

(43) The benefits to be secured from the realization of the Nation's natural resources be they from the ground in the form of foodstuffs or coal, metals, etc., are obvious and it is the nature and extent of the richness of such natural resources which determines the ultimate success of immigration. For generations Canada has been told of her potential yet untouched resources. The time has long since passed when she should commence to realize upon them. To do so NOW would be the most logical and biological immigration policy of them all. To continue to fail to act upon the urgent necessity of instituting a fuel policy can only result in a perpetuation of unemployment, relief and more acute depressions in the coal mining areas of Canada which must have the same demoralizing effect that it had before the present war opened up new avenues of occupation. And in addition to such deplorable conditions, Canada would have to continue to find upwards of \$100,000,000 per annum to send out of the Dominion for coal during times of peace. There are only the two alternatives.

FUTURE DEVELOPMENT OF CANADA

(44) Commencing with the appointment of the James Committee and more recently by the leaders of industry and business, public attention has been focussed on rehabilitation and reconstruction for the period following the war. In addition to the enquiries made by the Turgeon committee, the nine provinces have also formulated programme which look very largely to an increase in the production of commodities for export. With these we submit there can be nothing but

approval; in the light of our present position and commitments for the future, the need for a high national income is apparent to all. Canada, however, has been told by her best customers that if she expects to export she must import. The recent Business Conference at Rye, N.Y., gives some indication that the United States is also recognizing the fact that if a country wishes to sell internationally it must also buy in the same manner.

(45) The Dominion Government has recently set up an Import Trade Division as it knows that the balance of sales and purchases is going to be difficult of achievement. We feel confident that there is general agreement that the progress of Canada depends on substantial export trade while we have a relatively small population for which to import. In the past, it is our belief that Canadian coal has been used by Government as a means for bargaining but as this commodity is now of global significance and supreme importance we feel that this country, with her relatively high percentage of the world's known reserves, should rank amongst its greatest producers.

(46) In line with the aims and objects of the Dominion and Provincial Governments as well as business generally, we submit that Canada offers the widest possibility for expansion through the increase of her population. To bring about this national growth there must first be a unification of minds; minds directed toward the welfare of the whole Dominion and not distracted by personal, local or provincial selfish interests. The coal mining industry of Canada has done its utmost to help itself but it requires Government assistance and action, given willingly and without stint, to initiate a determined fuel development plan. In his book "Industry and Humanity" the Right Honourable W. L. Mackenzie King states: "Wise Governmental policy in the encouragement and direction of Industry, and in the cultivation of domestic and foreign mar-

kets, improved methods of distribution.....are, one and all, incentives to increased production and therefore far-reaching in their possible effects upon the successful adjustment of industrial relations.....Policies of Government with respect to industry, to trade and commerce, to transportation and communication.....are scarcely less important as factors in determining industrial conditions than the groundwork which nature itself provides." In the realization and disposition of all her resources Canada can require nothing more and can expect nothing less.

REVIVE AND REORGANIZE DOMINION FUEL BOARD

(47) A request was made by the western coal industry in March 1939 for the reorganization of the Dominion Fuel Board with largely extended powers or, as an alternative, the setting up, by Government of a special Board endowed with wider powers and enlarged duties. Since that time the Dominion Fuel Board has been replaced by a Dominion Coal Controller whose duties, we presume, will cease shortly after the close of hostilities. We would therefore recommend a reconstituted Dominion Fuel Board to include representatives of the coal mining industry and the workers engaged in it as well as representatives of the consumers and Government officials and that such Board be charged with the definite duty of promoting and increasing the production and utilization of Canadian coals.

BY MR. FRAWLEY: Mr. Burgess has some addenda.

MR. BURGESS reads addenda:

(47) This recommendation is based on the premise that Government assistance is granted for the furtherance of Canadian coal mining and the following would then constitute the major activities of such a Dominion Fuel Development Board:

(a) Supervise the production, distribution, sale delivery and consumption of fuel and make rules in connection therewith; such as regulating sizes, preserving a high standard of preparation and zoning of markets.

(b) Regulate prices of all fuel and guard against "dumping" in Canada of coals of outside origin.

(c) Act in an advisory capacity and make recommendations regarding duties on fuel and mining equipment to the proper Federal Ministers of the Crown.

(d) Collaborate with the railways with a view to securing advantageous freight rates on coal and study the possibilities and desirability of establishing reduced rates for the movement of this commodity by train-load lots and look into the matter of equalization of freight rates where special treatment of tariffs is indicated.

(e) In co-operation with provincial authorities, supervise wage and labour conditions.

(f) Work closely with all research organizations to the end that coal and its derivatives may be made economically available to the nation.

(g) To work towards bringing about uniform mining practices through co-ordination of the various provincial departments of mines with a view to securing general production efficiency and reduction in costs.

A Board of people possessed of practical experience in the fuel industry could operate in a thoroughly democratic manner, avoid Government ownership or inexperienced interference and place the Canadian coal industry in a position where it can progress. A programme of public relations should also be undertaken to the end that the citizens of this country would come to a proper realization of the value of the tremendous coal resources of this Dominion.

BY THE CHAIRMAN: Would you read the second last sentence there?

A A programme of public relations.

Q Well, it is something about keeping Government out of business.

A Avoid Government ownership.

Q Well, your recommendations that you make, a Government set-up, this Board is coming dangerously close to Government ownership or Commission ownership or whatever you wish to call it?

A Those recommendations are only based on the assumption that the Government will be giving financial assistance, and on that basis the industry must expect some measure of control.

Q What you say is that if they are going to give assistance they must have some say in regulating the industry?

A Yes.

BY MR. FRAWLEY: If the Government is going to go so far as to allow western coal to come down and meet on an even basis this American domestic coal, don't you think if the Government is going to come to your help to that extent that it almost has a right to be a partner in your business?

A That is why I make those recommendations in the manner I do.

Q Do you want the Government as a partner in your business?

A No, only supervisory.

BY COMMISSIONER McLURIN: Probably they do want a partnership. A partner shares the losses.

BY MR. FRAWLEY: If you had to go to a bank or some wealthy individual to get that same kind of assistance he certainly would want a share in your business, a block of stock allocated to him?

A Yes.

Q What you say is, this is not a private enterprise, it is the Government coming to the aid of the coal industry?

A Yes, or coming to the aid of a resource.

Q You say your people will expect supervision in some degree, but not complete ownership?

A Yes.

MR. BURGESS Sworn. Examined by Mr. Frawley.

Q I noticed that until you got to your addendum you had been silent on the question of freight rates. Has your association given much thought to the matter of freight rates on Western coal into Ontario?

A No, we have not.

Q As far as you know, none of your people have approached the railway companies for a further cost inquiry?

A Our Association has not.

Q None of your constituent members, as far as you know?

A No. Other organizations within the coal trade may have, but we have not.

Q Where did you get the idea of the solid-train movement?

A I drew it from discussions with our members. There was one member of the coal trade working for some years on it.

Q Mr. Jesse Gouge?

A That's right.

Q You speak about the solving of this problem, on page 13:

"The Canadian coal problem is originally a peace-time problem and had it been solved before the war," and so on.

This coal problem is not anything that can be solved, I mean without being facetious, like a riddle, is it?

A No, not like a riddle, no. It has got to be treated from the point of view of utilizing a national resource.

Q It is an integral part of Canada's fiscal policy?

A Yes.

Q And the question simply to be solved is whether or not the Federal Treasury is going to subsidize this industry, and I presume you are aware of the fact that Central Canadian industries receive subsidies of a direct or indirect kind,

and I don't want to put words into your mouth but are you advocating because of that tariff-protected industrialization of Central Canada you think it equally right that the Tariff Minister should put his hand into the treasury every year to pay for freighting Canadian coal?

A It should cut both ways.

BY THE CHAIRMAN: There is a fairly good tariff on coal coming into this country.

BY MR. FRAWLEY: I want to ask Mr. Burgess, have you got any ideas on the relation of subventions to Canada's tariff policy and whether the coal industry is getting as much or less or more protection than Central Canadian industry?

A Well, that opens up a tremendous--opens up the whole tariff structure. You have various ways of tariff and I would not be prepared to say whether or not the subvention policy would be more or less on a per capita basis than what is received by the manufacturers, let us say, of Central Canada. I don't know whether \$2.50 a ton on coal would amount to more.

Q Suppose you went to the Minister of Finance or National Revenue and asked him for some more subvention, wouldn't he be likely to say, "Don't you think 75 cents a ton duty on a product which at the mine cost maybe--take in 1932 or 1933, cost \$1 or \$1.25 at the mine," wouldn't he be likely to say to you with some force that 75 cents a ton is some protection?

A Yes, he probably would.

Q What would the coal industry say to that?

A I don't suppose they would be particularly impressed with that. They would still want assistance to get into this market.

BY THE CHAIRMAN: I think what you want to ascertain is what is the comparative assistance between the 75 cent a ton duty on coal and the duties that the importer has to pay

on certain things on which the manufacturers are protected.

BY MR. FRAWLEY: There is a tariff on, say, furniture, and that tariff on furniture keeps the Ontario furniture factories going?

A Yes.

Q I don't suppose you have worked out any studies to show what is the comparative protection given a furniture manufacturer in Stratford, Ontario, and the coal miner in Drumheller or Glace Bay?

A No.

BY COMMISSIONER McLAURIN: I would like to get very definitely in my mind what Mr. Burgess advocates. You say that the \$2.50 subvention is not enough? Take domestic coal.

A No, it is not enough.

Q And you think it should be more?

A Yes.

Q Do you know how much domestic coal went into the Ontario market before the war?

A About 150,000 tons, I would think. I am sorry; I just have the 1943 figures here and of course there was none.

Q Well, you are in the business. Couldn't you give me it in round figures?

A 150,000 or 200,000 tons.

Q Is that domestic, or are you taking railway and --- ?

A No, just domestic.

Q You say there was 150,000 or 200,000 tons around 1938 that went into the Ontario market with a \$2.50 subvention?

A Yes.

Q And how much do you suggest should go into the Ontario market? What tonnage have you in mind under what you advocate should go into the Ontario market?

A Well, ultimately, as much as can be put in there.

Q You say that our mines are only working at half capacity?

A Well, immediately I would say half a million tons.

A I think I perhaps might agree with you, but that is all you are advocating? You are not suggesting we get in there with 3, 4, 5, 6 million tons?

A Not now, sir, no.

Q You want to limit your submission to this Commission that there should be a national fuel policy which gets half-a-million tons of Alberta domestic coal into the Ontario market at \$2.50 a ton subvention?

A Well, we would hope, of course, that ultimately it would be increased over that.

Q I am asking you what your position is. Is that all you are submitting that we should accomplish now?

A Immediately, yes.

Q We are probably doing a job for ten years. Our recommendations may not be accepted but our job is to review the post-war policy. Now when you say this 500,000 tons, that is not just for next year, that is for perhaps 10 years? You limit your submission that the job is done if half-a-million tons of Alberta coal goes to the Ontario market?

A Yes, I do, sir. The only point I was trying to make was to hope that ultimately that tonnage should increase.

BY COMMISSIONER MORRISON: What do you set as a goal?

A I would say probably a million and a half.

BY COMMISSIONER McLURIN: So your definition of a national fuel policy is one and a half million tons into the Ontario market?

A Yes.

Q And you have already pointed out that we have big supplies to secure from the United States?

A Yes.

Q And we have to continue to get those supplies, under your policy, from the United States?

A Yes.

Q And we will have to be rescued by the United States in another war?

A Yes.

Q And yet you suggest that by trade policies with the United States we should kick them in the shins when we are still going to be dependent upon them for their coal, and had to go begging for it in this war. We did. They had lots of places to put their coal. They were just being good neighbours when we got their coal. That is where your policy takes you?

A The position I have been placed in is a little difficult. I said 500,000 now. We would not know what it would ultimately be.

Q I haven't much quarrel with you as to saying, We want to go to the federal government, we want \$2.50 a ton, we want it stabilized for 10 years by statute, we probably want it sold by a central selling agency; that might be a job for the Dominion Fuel Board to run. I am not going to suggest it is economic but I think as long as you are only asking to put half-a-million tons into that market I think it absolutely idiotic to term that sort of thing a national fuel policy; just plain nonsense to give it a high-sounding term.

A That is a name that has grown with the years.

BY MR. FRAWLEY: Then you certainly don't mean that there should be complete use of our nation's coal by the Canadian people?

A There could not be, no.

Q Not even as an ultimate objective?

A No.

BY COMMISSIONER MORRISON: Your association meets once a year in annual convention?

A Yes.

Q And that is the law-making or policy-making meeting of your association?

A Yes.

Q Now in discussing this national fuel policy, which press reports would indicate is a hardy annual at those meetings, has your Association ever discussed the mechanics of it? In open meeting, executive meeting?

A No.

Q Never discussed the mechanics?

A No.

Q In other words, they have passed a pious resolution which would be unanimously carried, I suppose, and then let George do it, hand it over to Burgess? Now not having discussed the mechanics of what they meant by a national fuel policy, have they ever discussed distribution? I was intrigued by the list of your members. I was familiar with some of them but I note that you have line grain companies and line lumber companies, then of course you have bituminous and lignite mines and wholesalers and retailers, city, and retailers, country--I guess they are rural--but have you discussed distribution of coal after you get this policy adopted, presuming that it would be? Has the question of distribution ever arisen?

A Well, no, I don't think.

Q Have you ever given any thought to what would be the best method to distribute say even this minimum half-a-million tons of domestic coal in the Ontario market? First of all--

BY COMMISSIONER McLAURIN: Let him answer that question.

BY COMMISSIONER MORRISON: Have you discussed at all how you would distribute this half-million tons of coal in Ontario?

A Well, it has been discussed to this point, that the usual channels of distribution that have become established would be used.

Q Now would you take my good friend Colonel Shields, Harris Coal, Occidental, send them down into Ontario to sell this half-million tons of coal, or would you think that in view of the fact that the dominion treasury is contributing quite a bit of money to get that coal there you would per-

haps do away with those fellows and set up a central selling agency that would distribute the product in that area? What would be the views of your Association on that?

A Well, I feel quite sure that they would expect the distribution of that coal to be carried on the same as in previous years; should be done by putting salesmen into that field the same as American companies do.

Q Having in mind the fact, though, that the public treasury is going to be called on to pay out a subsidy, you say even if it is \$4 a ton, to get that coal down there, wouldn't you and your Association agree that you would have to make some contribution to the successful distribution of the product down there by reducing costs somewhere along the line, and I am suggesting to you that perhaps leaving these gentlemen free in the Prairie Provinces that they might relinquish their right to go into Ontario, and join together, set up, call it a co-operative company, or for fear they might consider that breaking away from free enterprise call it a limited company, give them all shares in it, avoid the duplication of costs; do you agree that that would be a pretty sound principle?

BY COMMISSIONER McLAURIN: I don't ask Mr. Burgess necessarily to agree with it but I would like to get an answer to your question whether they have considered it, scrutinized it?

A No, it has not been.

BY COMMISSIONER MORRISON: Don't you think that your Association--they are all clever business men; the Chairman suggests fine chaps; some of them are, I am not going to say that applies to them all. Don't you think they have a responsibility before they go to Government or this Commission, to put their own house in order, canvass what they can do to help the situation?

A Yes.

Q And they have not done so?

A There has been nothing to do it for in the last two years.

BY COMMISSIONER McLAURIN: Certainly there is. You have got 200,000 tons; you are only upping it to 500,000. You are only asking for twice as much as you put in.

BY THE CHAIRMAN: Perhaps that is one of the reasons you have only got 200,000. The sales organization was costing too much.

BY COMMISSIONER MORRISON: Don't you think your Association have a responsibility in this matter?

A Well, that responsibility was never felt to date. I would rather judge that any wholesaler who has been covering the province of Ontario is more competent to answer that question than I.

BY MR. FRAWLEY: This suggestion of yours is primarily for the benefit of the mines, not the wholesalers? That is fair enough to put it that way?

A Yes.

Q Don't you think it is a little wasteful to be sending all those wholesalers down to Ontario to sell that little dribble of coal?

A I don't know that they really had so many after all. It was virgin territory. There was a selling job to be done and it is not easy to go in and compete with American coal, especially when you are coming in with a subvention; your prices are based on something that may be taken away from you tomorrow.

Q When the subvention was first put in didn't all the mines rush to Toronto to sell the coal, and wasn't that acknowledged afterwards to be not very sound?

A Oh yes.

Q Don't you think they should learn from experience and not suplicate that?

A I agree with you that something could be worked out. It will have to come from the dealers themselves.

BY COMMISSIONER McLAURIN: They sold coal too and then could not deliver it.

BY MR. FRAWLEY: Aren't there other good reasons for putting the western mines into a common agency--I was going to say bargaining agency.

BY COMMISSIONER MORRISON: They are.

BY MR. FRAWLEY: What are the views of your Association in seeing that some of that Drumheller doesn't ever get into that Ontario market?

A Doesn't get in?

Q Yes. See that it is left at home, doesn't get into the Ontario market and spoil the reputation of Alberta coal?

A Yes, there should be some control over that.

Q Coal has gone down that has not weathered and has slacked and given the Alberta coal a bad name?

A That's right.

Q Isn't it pretty obvious that you should have more control over that movement?

A Oh yes.

Q Isn't a central selling agency one way to approach that?

A It might be.

Q Your Association has not given any thought to that?

A No.

BY COMMISSIONER MORRISON: Don't you think it is not too late yet for your Association to put its own house in order and canvass the possibilities of such a scheme?

A Yes, it could be done.

BY COMMISSIONER MORRISON: I would not expect that your first meeting would be harmonious.

BY THE CHAIRMAN: Of course this organization does not represent all the coal producers in the West or even in Alberta?

A That's right; it does not.

BY COMMISSIONER MORRISON: I notice it doesn't represent all the wholesalers either, but perhaps that might be all to the good.

BY MR. FRAWLEY: Mr. Brett will present the brief on behalf of the Winnipeg Coal Exchange.

Exhibit 159 - Brief of The Winnipeg Coal Exchange

MR. A. H. BRETT proceeds to read Exhibit 159:

1. Winnipeg Coal Exchange: This brief is being presented by the Winnipeg Coal Exchange on behalf of the retail coal dealers of the Greater Winnipeg area. This area covers the cities of Winnipeg and St. Boniface, the towns of Transcona and Tuxedo, and the municipalities of Assiniboia, Brooklands, Charleswood, East Kildonan, Fort Garry, North Kildonan, St. Charles, St. James, St. Vital, and West Kildonan, all in the Province of Manitoba.

The Winnipeg Coal Exchange is an association of retail dealers. It was formed in the year 1900, and has been in existence since that time. Its membership is composed of retail dealers who handle approximately 85% of the coal which is delivered by truck and team, to domestic and industrial consumers in the Greater Winnipeg area. The Winnipeg Coal Exchange is a non-profit organization, its expenses being paid by subscriptions of the members.

Its objectives are to maintain a high standard of ethics among dealers in their relations toward each other, and in addition, to continually improve, by the introduction of more up to date methods, the quality of service rendered the public. The Exchange co-operates closely with the Market Superintendent of the City of Winnipeg, and while minor infractions of the by-laws are inevitable, since the establishment of the Wartime Prices and Trade Board, no coal dealer in the Greater Winnipeg area has been convicted for any infraction of the existing Government regulations.

BY COMMISSIONER MORRISON: A fine compliment to your members.

MR. BRETT: Thank you.

BY COMMISSIONER MORRISON: Or perhaps they didn't get caught?

MR. BRETT continues brief:

The influence of the Coal Exchange has resulted in the dealers in this area assuming the responsibility of insuring safety to coal consumers, by taking care of consumer needs ever since the commencement of the war, while at the same time, requesting very little assistance from the Government or anyone else.

2. Fuel Handled: The dealers in the Greater Winnipeg area dispose of approximately 650,000 tons of domestic and industrial coal annually. Approximately 100,000 tons is imported from the United States, the balance being coal mined in Western Canada. Very little American anthracite is imported, the main importations being bituminous coals and a small amount of coke.

Alberta and Saskatchewan mines are therefore our main sources of supply. Alberta bituminous coal is shipped here from the Cascade, Coal Spur, Crows Nest, Mountain Park and Nordegg districts in Alberta, mainly for industrial use, domestic coal coming from the Drumheller and Lethbridge districts, as well as Brooks, Coal Spur, Edmonton. Pembina, Saunders, and Taber districts in Alberta.

BY MR. FRAWLEY: Let me stop you there. Is that coal from Burnwell Coal Company or ---

MR. BRETT: That is the Brooks area.

Q Is that the Burnwell Coal Company?

A Yes, that is Brooks.

Q It comes into Winnipeg?

A Yes.

Q Who sells that coal here?

A Do you mean wholesale?

Q Yes?

A Well, there are two or three different wholesalers that sell it.

Q Do you happen to know their names?

A Yes. Wholesale Fuel Company of Saskatchewan, and George F. Harris and Company, and I think that George Goode also sells some.

Q In the winnipeg area?

A Yes.

MR. BRETT continues brief:

From Saskatchewan, in the Souris area, we receive heavy shipments of lignite coal, both for domestic and industrial use. Approximately 300,000 tons comes to Greater Winnipeg dealers from this source. It will be seen, therefore, that Alberta mines supply about 250,000 tons annually through the dealers. However, large shipments are made direct to industrial users by Alberta and Saskatchewan mines. We have no data on the quantity thus supplied, but understand it is fully 200,000 tons.

The most popular domestic fuels sold by the dealers in this area are first, Saskatchewan lignite, second, Alberta coal from the Drumheller and Lethbridge fields ----

BY COMMISSIONER MORRISON: How do you arrive at the popularity? On the basis of tons sold?

MR. BRETT: Oh yes, largely, and the feeling of the dealers themselves. Saskatchewan lignite certainly leads on a tonnage basis.

BY MR. FRAWLEY: Price establishes that popularity, doesn't it?

MR. BRETT: Certainly, to a large extent, and perhaps methods in selling, I would say.

BY MR. FRAWLEY: And methods of combustion?

MR. BRETT: Yes, and the preparation. (Continues brief):

Following is a breakdown of the mine cost, freight, gross profit and retail price for domestic deliveries.

SASKATCHEWAN LIGNITE (Deep Seam)

	Mine Price	Freight	Gross Profit	Retail Price
Lump and cobble	\$2.25	\$2.30	\$2.65	\$7.20
Stove	1.60	2.30	2.70	6.60
Stoker	1.60	2.30	2.60	6.50

SASKATCHEWAN LIGNITE (Strip Operations)

Lump and cobble	1.60	2.30	2.55	6.45
Stove	1.60	2.30	2.45	6.35
Stoker	1.60	2.30	2.60	6.50

DRUMHELLER

Lump and cobble	5.00	4.70	3.25	12.95
Egg and stove	4.15	4.70	3.25	12.10
Nut	2.50	4.70	3.25	10.45
Nut pea and stoker pea	2.15	4.70	3.40	10.25

LATHBRIDGE

Lump	5.00	4.70	3.25	12.95
Egg and stove	4.00	4.70	3.40	12.10
Stoker	2.50	4.70	3.05	10.25

BY COMMISSIONER MORRISON: I don't want you to quote those prices in answering any questions I ask, but these are the net price to the mines, the first column, or are they the price which the dealer pays to the wholesaler?

MR. BRETT: It is the price which the dealer pays the wholesaler.

BY COMMISSIONER MORRISON: But you call that mine price?

MR. BRETT: Well, I think probably I have been accustomed, we all have, to talking that way. That is the price we pay for the coal at the mine purchased through a wholesaler usually.

BY COMMISSIONER MORRISON: That doesn't necessarily follow that that is the price that a mine receives?

MR. BRETT: I think any mine gives an allowance, as you pay the mine, to their agent out of that.

BY COMMISSIONER MORRISON: Any mine gives, is right.

BY MR. FRAWLEY: The price paid by the retailer? I mean, without being critical, it is not the mine price at all?

MR. BRETT: What it should be is, Winnipeg price f.o.b. to the car, actually.

BY COMMISSIONER McLURIN: But the trade talk of it that way?

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Mr. H. Brett

Yes. I have shown these two sets of prices merely to show the difference in gross profit in the domestic and the steam. (Continues brief):

Apartment buildings, theatres, hotels and industrial plants, when coal is delivered by truck or team, enjoy a lower price than domestic, consequently, the retail dealer's gross profit is greatly lessened. Examples follow.

	<u>Mine Price</u>	<u>Freight</u>	<u>Gross Profit</u>	<u>Retail Price Per Ton</u>
<u>BELLEVUE</u>				
Mine Run	\$4.12	\$5.10	\$2.03	\$11.25
1 5/8" screenings	3.47	5.10	2.03	10.60
<u>CANMORE</u>				
Stoker	4.22	5.20	1.93	11.35
Mine Run	4.47	5.20	2.03	11.70
1" screenings	3.72	5.20	2.03	10.95
<u>MICHEL</u>				
Mine Run	4.22	5.20	2.03	11.45
1/4 to 1 1/2" Stoker	4.12	5.20	2.03	11.35
Screenings	3.62	5.20	2.03	10.85
<u>SASKATCHEWAN LIGNITE</u>				
Stove	1.60	2.30	1.70	5.60
Stoker	1.60	2.30	1.50	5.40

MR. BRETT: I felt that that information should be given because we have had two or three cracks taken at the marvellous gross profit we had in Winnipeg.

BY COMMISSIONER MORRISON: Of course you arrive at that price by larger turnover, larger sales?

MR. BRETT: Yes, and the costs of handling are lessened.

BY COMMISSIONER MORRISON: Sound business practice?

MR. BRETT: Yes. (Continues brief):

A study of the retail prices, domestic and steam, prevailing in the Greater Winnipeg area, together with the tonnages of various types of coal handled, reveals that the average gross profit per ton to the dealers is approximately \$2.45.

A study made of the operations of a group of dealers, handling fuel only, with domestic and steam coal sales in

reasonable balance, shows costs and profits as follows, for the past two years.

	<u>Cents per ton</u>
Rent and taxes	16 $\frac{3}{4}$
Salaries	45
Insurance	11 $\frac{1}{4}$
Depreciation	04 $\frac{1}{2}$
Office Expense	11
Advertising	10 $\frac{1}{2}$
Truck repairs and upkeep	07 $\frac{3}{4}$
Handling and delivery	1.40 $\frac{1}{4}$
<hr/>	
Total costs	\$2.47
<hr/>	
Average Retail Price	\$11.40 per ton
Average Purchase Price (Freight included)	8.85 " "
<hr/>	
Gross Profit	\$ 2.55
Selling Expense	<u>2.47</u>
Net Profit	.08 " "

MR. BRETT: There is only one point. I am not trying to establish that a net profit of 8¢ per ton is the general rule throughout the Greater Winnipeg area. In some cases it is more, due probably to lower fixed costs, less advertising. In many cases it is much less than the 8¢ per ton net.

BY COMMISSIONER MORRISON: Some have different methods of bookkeeping arriving at their net result; pay much larger salaries, higher directors' fees, and have less profits. It depends which end of the spout they want to take it out. That is correct, isn't it?

MR. BRETT: Well ----

BY COMMISSIONER MORRISON: I am not finding fault. It is perfectly legitimate.

MR. BRETT: Well, I have found in studying these items there is a great difference in them, but the total costs come out about the same. (Continues brief):

3.Competition: The market is fully competitive, but generally inclined toward mines where shipments are steady. While there is a preference toward Alberta coal from the Drumheller and Lethbridge districts for domestic use, due to the free burning qualities of the coal, purchases from these mines are

gradually lessening due to inability of the dealers to obtain sufficient supplies during the heating season, coupled with some irregularity in shipments.

BY COMMISSIONER MORRISON: That is largely a wartime condition, isn't it?

MR. BRETT: Well, it has become accentuated, yes. (Continues brief):

This coal presents a storage problem during spring and summer, and if stored in dealers' yards during warm weather, degradation loss is heavy. To avoid this loss, dealers are naturally inclined to purchase only the tonnage which may be delivered quickly.

The buying trend is therefore toward briquettes and coke, as they store well for an indefinite period, toward United States coal, due to its general high quality and preparation, its storage qualities, and its ready marketability, especially for industrial use.

BY COMMISSIONER MORRISON: What United States coal have you reference to there?

MR. BRETT: Mostly Pocahontas and Elkhorn.

Q Does the bulk of industrial coal used in Winnipeg come from that area?

A Largely, through the dealers, yes. There are some other types of coal bought quite a bit in the last years, like Del Monte and companies like that.

Q You have found an improvement in quality and preparation in bituminous coal coming from Alberta in the last few years?

A Yes.

Q Rapid strides in preparation?

A I think so, yes.

BY MR. FRAWLEY: You say the buying trend is toward United States coal due to its general high quality, and so on. That seems to me to suggest the quality of western domestic coal is forcing the user away from the coal that he

really has a preference for?

MR. BRETT: Well, of course, in looking at the shipments that have been made in here the last two or three years you must remember when you get into industrial coal a lot of that has been diverted west for military use and we have been denied the use of it. A great deal of United States coal has been substituted for Alberta coal.

BY COMMISSIONER MORRISON: That is not a normal condition?

MR. BRETT: No.

BY MR. FRAWLEY: Then you are willing to say that probably this general high quality and preparation might not be so marked if you could get Alberta coal back here?

MR. BRETT: Well, I am not playing up the general high quality of the United States coal to show that it is such a strong competitor of Alberta coal. I am just saying it has that preparation, but Alberta coal, let us say, is the same.

BY MR. FRAWLEY: All I am thinking of--there isn't any subvention on Alberta coal into this market?

BY COMMISSIONER McLAURIN: Some.

MR. BRETT: We come to that a little later on.

BY MR. FRAWLEY: I was only pointing out something that is fairly obvious. Anything that is going to interfere with the consumer preference, that should be made clear. If there is a consumer preference for United States coal I think we should know it.

BY COMMISSIONER McLAURIN: There might be other reasons.

MR. BRETT continues brief:

Due to competitive freight rates, United States coal is a strong competitive factor. Most important is the increasing use of Saskatchewan lignite. While the larger sizes do not store well, the mines seem to be so organized that they can supply the demand throughout the heating season, even in critical periods.

Consumers are turning more and more toward the use of stokers, so that large sized coal will be required less and less, as stoker sales increase. The average consumer, who can afford it, is installing the type of coal burning equipment which will give him the least labor and the most uniform temperatures. There is no question also, that in this area, as it becomes possible, consumers will turn more and more toward the use of central steam heat and oil burners, which entail no labor in firing and allow clean premises not always possible with the use of coal. These changes may be expected to continue in greater measure due to the general opinion that most coal is too high in price. Considering the competitive factors involved, those engaged in the business of marketing coal may be certain that as time passes, coal sales will decrease, unless extraordinary efforts are made by the trade to retain the business. This will involve the most efficient and economical methods of mining and distributing, all with the purpose of getting cost to the consumer down, while increasing the efficiency of coal as fuel, by way of preparation, thus decreasing the labor and inconvenience in firing.

Despite the heavy capital investment necessary, producers will be required to produce briquettes in much greater quantity, this type of fuel being in great demand for hand-fired furnaces.

Except where war makes it necessary, the dealers generally are not enthusiastic about subsidies, and feel that each type of coal should find its own market under natural competitive conditions. They would welcome lower freight rates, if practicable, for the purpose of lowering the cost of coal to consumers.

BY MR. FRAWLEY: You mean lower freight rates in all directions?

MR. BRETT: I am thinking mostly of the west, from

Alberta, the idea there being to lower the freight so that we can lower the cost to the consumer, so that we can retain the business. People have been going to oil. (Continues brief):

Recommendations

The dealers in this area are in agreement that most of the problems encountered can be overcome by the trade itself, provided all work in harmony with a sincere desire for constructive action. They are of the opinion, requests for assistance outside of the trade, including the Government, should not be made except in extreme emergency, so that no artificial marketing conditions may be created to stifle free competition.

The greatest problem affecting the business, including the retail section, is that of slack time in the Western mines in spring and summer months. So that the dealers may accept coal in sufficient quantities to maintain the mines in continuous operation, consumers must be persuaded to accept more coal in the spring and summer. We recommend that consideration be given to a plan to reduce the price to consumers for the months of April to July, inclusive, in each year, and that from August 1st to March 31st in each year, an increase over the regular winter price be allowed both the mines and dealers, to offset the reductions they may both share for the period April to July, inclusive, previously referred to.

BY MR. FRAWLEY: There is only one thing. Frankly I don't quite understand. You say on page 4: "Due to competitive freight rates, United States coal is a strong competitive factor." Would you mind elaborating on that?

MR. BRETT: Well, actually the freight from where they bring the coal to the Head of the Lakes, from Fort William to Winnipeg is \$3.30, and it is the same from Duluth.

Q A joint rate?

A Well, it is a similar rate. I am not comparing distance.

In connection with Drumheller the freight rate is \$4.70, from Crows Nest \$5.10, from points like Canmore \$5.20.

Q How is that \$3.90 rate from the Head of the Lakes, it is only the last leg of the haul, how does that make the total rate competitive with the \$4.70 from Drumheller?

A Well, it only means that it brings coal in here so much cheaper--\$1.40 a ton. I am not comparing freight rates.

Q No, because you are starting at the Head of the Lakes.

A Of course it is American coal.

Q It has already paid a lot of freight to get to the head of the Lakes?

A We have a price at the Head of the Lakes. We are buying at the Head of the Lakes.

Q To you, as far as you are concerned, it is produced at the Head of the Lakes?

A Yes, it starts there.

BY COMMISSIONER McLURIN: You were mentioning this trend

towards American coal and I think you also said something about a figure of 100,000 tons. I just want to get the picture here. Take 1935. How much American coal was sold here then?

A I haven't figures that far back. I have only got them for to about 1939.

Q What would that be?

A Roughly the same, 100,000, 110,000, 115,000 tons the last few years.

Q They have been running on that basis right during Coal Control?

A Yes.

Q Do you think when the controls are removed that picture will persist? I guess you have said that really, haven't you?

A Well, actually, something else has taken place. Due to the shortage of the usual type of domestic coal we bought from

Alberta mines, at different times we have had to substitute American coal. Some would be American briquettes and the consumers have not gone back to the Alberta coal because they preferred what they got. In other words, we were forced to build up a preference for American coal.

BY COMMISSIONER McLURIN: I have often heard it said that to all practical purposes the Alberta mines have ousted American coal from this market.

A I was discussing it in Calgary the other day and someone told me it was not so many years since they were bringing 200,000 tons of Drumheller coal into this market. In 1944 it was 90,000 tons.

BY MR. FRANKLEY: Of course some of that was as a result of diversions by Coal Control?

A Oh, true, yes.

Q What are the comparable prices of Drumheller domestic and comparable American coal?

A Well, there is not anything we have that is comparable there. A lot of lump and stove sizes are sold in Drumheller, \$12.95 and \$12.10, but there is not much Pocahontas and Elkhorn. Pocahontas lump is \$17.75.

BY COMMISSIONER McLURIN: If you could get it in you could sell Pocahontas at \$17.75 against the Drumheller at \$12.95?

A I don't think there would be any demand in Pocahontas lump. I think the most popular for domestic use is Pocahontas nut.

Q What is your comparable Drumheller nut?

A \$15.20. for Pocahontas nut as against \$10.45 Drumheller.

Q Now there is a spread. Will Pocahontas nut hold a place in the market against Drumheller nut at \$5 a ton less?

A To the people who want to buy that type of fuel, rather high class type of fuel.

Q To a measure it is a luxury fuel?

A I don't think it is.

BY COMMISSIONER MORRISON: Wouldn't Green Hill and Crows Nest Pass be more comparable?

A Yes, it is a bituminous type of coal.

Q When you are comparing Pocahontas coal with Drumheller you are not talking about comparable things?

BY MR. FRAWLEY: Oh, sure.

BY COMMISSIONER MORRISON: No, you are not.

BY MR. FRAWLEY: Does Green Hill coal enjoy a share of the domestic market in Winnipeg?

BY COMMISSIONER MORRISON: Stoker market.

MR. BRETT: They have stoker, but what they call a washed furnace is sold to some extent here.

BY MR. FRAWLEY: That is a coking coal, isn't it, Crows Nest Pass bituminous?

A Most of them are.

Q What is the price of the Green Hill washed furnace?

A Green Hill washed furnace, \$13.90.

Q And the Pocahontas is?

A \$15.20.

BY COMMISSIONER MORRISON: How about Crows Nest Pass coal?

A Michel?

Q Yes.

A Michel cobble is \$14.25. There is not a great deal of it sold.

Q On the basis of analysis ?

A It compares very favorably with American coals.

BY MR. FRAWLEY: What consumer acceptance does it enjoy against this Pocahontas, if you get into a dollar or so difference in price? Which would they rather have?

A Well, that is rather hard to say.

BY COMMISSIONER MORRISON: I understand you to say that on B.T.U. values, laboratory analysis, there is not such a great deal of difference between Alberta better grade, bituminous coals from south-east British Columbia, Crows Nest Pass, and Pocahontas?

A No, I would say they are very comparable.

Q And they undersell them in the market?

A Of course for the last few years we have been deprived of some of those, and I am influenced by that fact.

Q But as far as preparation is concerned, do you get any better prepared coal from the United States than you do now from say Western Canada Collieries and Crows Nest Pass Coal Company in Fernie? As far as washing and sizing coal is concerned?

A Well, you do hear the occasional complaint.

Q Of course today there is abnormal times, but put it this way, that they have the machinery and the plant equipment capable of doing as good a job as those who send you the Pocahontas coal?

A Certainly.

BY MR. FRAWLEY: I think the Commission should have what is the future possibilities of American coal in this area and I am interested for the moment in the consumer acceptance of American coal. What is the consumer acceptance of American Pocahontas and Michel coal, apparently the closest to it, that sells for a couple of dollars lower? Can that Pocahontas hold its place in this market after the war?

A I think it has always done so. I think that is the proof of it. Go back to the point when similar types of Canadian coal were available, about the same volume of American coals were sold.

Q So that some people would prefer Pocahontas coal?

A Yes.

BY COMMISSIONER MORRISON: Those prices you gave did not include prices on American coal?

A I can supply you with those if you wish.

Q We will just add it in your brief. You put it in the same form.

A The same way.

BY COMMISSIONER McLURIN: Your complaints about Alberta preparation, have they been perhaps domestic rather than bituminous? I mean, I am thinking of the machinery and equipment they have. I can't imagine anything much nicer than what those mines are turning out. I didn't see anything nicer in the United States, going through Pennsylvania, than what I saw in Crows Nest. You say, whether it is right or not, you have actually heard dealers complain about their preparation?

A I have also heard the same complaints about American coal. I think it is just general conditions now, when everyone is so rushed and lots of things happen. I am quite satisfied that when we return to normal conditions this preparation will be more even. There is generally no great complaint, but we hear them.

Q I can understand with domestic coal, but you have heard them with respect to the bituminous too?

A Oh yes, some, yes.

12.15 P.M. - COMMISSION ADJOURNED

AFTERNOON SESSION

The Commission resumed at the Court House at 2.00 P.M. on Tuesday, April 24, 1945.

BY MR. FRAWLEY: We would proceed with the submission of Manitoba Co-operative Wholesale Limited, etc.

Exhibit 160 - Submission of Manitoba Co-operative Wholesale Limited, Rhineland Consumers Co-operative Limited, Red River Co-operative Supply Limited

MR. C. B. FRASER: I may say in submitting this brief that our manager, Mr. Chown, is unable to be here. I will undertake to answer any questions you wish to ask on the general nature of our operations, and anything I can't give you an answer on I will undertake to get the information and submit it to you. (Proceeds to read brief of Manitoba Co-operative Wholesale Limited):

INTRODUCTION

Although Manitoba Co-operative Wholesale Limited is not a large distributor of coal in Manitoba, we feel it is important that the co-operative approach to the coal distribution problem should be placed before the Commission.

ORGANIZATION AND OPERATION

Manitoba Co-operative Wholesale Limited was organized in 1928 as a Central Buying Agency for Consumer Co-operative Associations located in the Province of Manitoba. At the present time there are approximately ninety such Associations.

BY COMMISSIONER MORRISON: Just at that point, can the Manitoba Co-operative Wholesale Limited buy any and all kinds of coal that are supplied on the market?

MR. FRASER: We can buy quite a few kinds of coal but there are several brands that we are unable to buy.

BY MR. FRAWLEY: The answer is that you can't buy them all?

A Yes. I should say we can't buy them at a price that we can handle them on. We might be able to go and buy them from a retail store.

BY COMMISSIONER MORRISON: We don't expect the Manitoba Co-operative to go and buy coal at a retail store and then sell it back again. That is not sensible.

A No, that's right.

Q I guess you can buy anything through those channels. I might phrase my question differently. I want to know if you can secure as a wholesaler of coal any and all the brands of coal that are sold through the retail channels?

A No, there are certain brands we cannot buy.

Q Would you put on the record the reason why you cannot buy them?

A I think one of the main reasons possibly is that certain coal distributors have exclusive agency policies.

Q With the producer?

A Yes, that's right, and they have exclusive agencies in towns where our organization is operating, so that we are

unable to handle in that particular area.

Q And you also operate retail outlets, but that will be taken care of by another member?

A I think the balance of our reading here will explain that; that is the position of the various retail co-operatives.

Q So that as far as some of the producers are concerned they are definitely tied up with a certain wholesale organization?

A Yes, that's right. There are--without being able to name all the various brands--there are several brands of coal that we are not able to buy as a wholesaler at all. Now I don't think I would want to leave the impression that that is because we are a co-operative wholesale; I don't know if that is right or not.

Q Let us assume for the moment the reason that you have given, that those producers are definitely committed to a certain wholesale organization for an exclusive franchise on their product?

A That's right. (Continues brief):

They entirely own, as well as control the operations of the Wholesale (that is these so-called retail co-operatives).

BY COMMISSIONER MORRISON: So called? Are they not real co-operatives?

MR. FRASER: They are retail co-operatives.

BY COMMISSIONER MORRISON: Surely they are co-operatives or not?

MR. FRASER: They are co-operatives. (Continues brief):

As in all co-operatives, any surplus earnings made by the Wholesale are returned to the Local Associations in proportion to their purchases--the Wholesale being thus operated on a strictly non-profit basis.

BY COMMISSIONER MORRISON: There is nothing in this submission that would indicate what your cost is in handling the coal, is there?

MR. FRASER: Not in our wholesale brief, we have no breakdown of that.

Q Would you agree to supply the Commission with statements showing what it costs the Manitoba Co-operative Wholesale Limited to handle coal, the wholesale organization?

A If that is possible we certainly will. I am not too sure whether our coal sales are separated from our various other operations so that we could give you an accurate figure. I think we could give it to you quite accurately.

Q Well, will you undertake to give it to us as accurately as you can?

A Yes, we will. We will be glad to do that. (Continues brief):

The make-up of the various Consumer Co-operatives in the country with regard to the kind of products they handle varies a great deal. Roughly speaking, about forty may be termed "bulk commodity outlets" handling mainly, gasoline, distillate, motor oils, coal, feeds, twine, etc., and the balance may be generally termed "general store" outlets, handling groceries, hardware and some bulk commodities. In addition, there are three consumer co-operatives in the city of Winnipeg that deal almost exclusively in coal and wood.

In most cases these local associations buy the greatest percentage of their goods from the Co-operative Wholesale, although there are many lines that the Wholesale does not yet handle. These goods are invoiced by the Wholesale at what are generally termed "dealer" prices, and the Wholesale is usually able to buy, like other wholesales, at jobber prices, or to receive a discount or brokerage off the dealer price from the supplier or manufacturer.

On the basis of "one Association - one vote" the Local Associations elect a Board of Directors of seven each year, who oversee and control the operations of the central organization.

COAL OPERATIONS

The sale of coal is a relatively small part of the

Co-operative Wholesale business, even though the company has been engaged in the coal business since 1928. In the calendar year 1944, only 31 of the 90 affiliated Associations handled coal, and the Wholesale had sales of approximately 20,000 tons. In the past ten years the coal sales of the Wholesale varied from 12,000 to 26,000 tons per annum.

This coal is purchased mainly from mines in the Estevan or Drumheller area. The Wholesale assembles the orders from the various Local Associations and passes them on to the different mining companies who, in turn, invoice the Wholesale for the coal as it is shipped. The co-operative Wholesale then takes the responsibility of rebilling and collecting for the coal. In other words, the Local Association pays no more for the coal than if it were bought directly from the mines, but actually receives a patronage dividend from the Wholesale, represented by the coal brokerage earnings of the Wholesale, less the necessary Wholesale operating expenses.

We should perhaps make clear that the Wholesale does not sell any coal to the ultimate consumer, but only acts as agent for the various Local Associations, that look after the actual physical distribution. All Associations served by the Wholesale are in the Province of Manitoba.

WARTIME OPERATIONS

Since the present war there have been many factors that have altered the ability of the Wholesale to perform a satisfactory wholesale coal service.

Inadequate supplies - Prior to the outbreak of war, the Co-operative Wholesale was usually able to secure a satisfactory volume of coal for the member units, subject only to certain brand preferences for which the Wholesale did not have proper connections. As we all know, coal came into short supply soon after the commencement of war, and as a result, the Wholesale has never been able to get sufficient coal to meet the demands of all the Associations. But the significant point is that the Local Associations were able to purchase

coal from different sources to relieve their shortage to some extent, even though the Wholesale did not seem to be able to obtain sufficient supplies.

BY COMMISSIONER MORRISON: At that point, Mr. Fraser, "the significant point". The only thing that was significant about that was that they were able to buy from other wholesale organizations who had direct connections with the producer? That is all that is significant about it?

BY COMMISSIONER McLAURIN: He covers it in the next sentence.

MR. FRASER continues brief:

Although we cannot prove it, and it was certainly not the case with a number of mines we have dealt with regularly for years, it does appear that in the overall picture, the mines concentrated on selling direct to Local Associations, thus avoiding the payment of brokerage fees.

MR. FRASER: Now I think that probably speaks for itself. It may answer one of your previous questions.

BY COMMISSIONER MORRISON: And you can't have too much quarrel with them on that score?

A We are not quarrelling people. I mean, if we can't get the supplies of coal we want without quarrelling, it is a relatively small part of our business and we don't want to cause any undue trouble by kicking up a lot of trouble about it, but we do feel in some cases certain suppliers have cut down on the amount of coal that we should have been able to get, according to what we had bought prior to the war.

Q Association No. 101, for instance, buys coal from the Midland Coal Company without going to Coal Sellers Limited or without going through the Manitoba Co-operative Wholesale Limited, to save brokerage. You would say that was pretty good business, wouldn't you?

A I certainly would, if they could save the brokerage fees.

Q Well, you are suggesting that they are, because you say, "thus avoiding payment of the brokerage fees". You state that very clearly in the brief.

A The mines are saving the payment of brokerage fees; the mines, not the retail dealer.

Q I am talking about the mines, and if the coal mines sell to Association 101 and not pay brokerage fees to Manitoba Wholesale Coal Limited or Coal Sellers Limited or any of the other limiteds that operate as middlemen, you wouldn't have very much quarrel with the producer on that score?

BY THE CHAIRMAN: But the consumer is not getting that?

A The consumer is paying exactly the same price as if he bought through the Co-operative Wholesale, and in many cases he is putting himself in the position where in the future he would have to deal direct with the mine and he would not have the benefit of the various connections we have through our wholesale operations.

BY COMMISSIONER MORRISON: I am thinking about the producer. He is a pretty important fellow.

A That's right.

BY MR. FRAWLEY: I am not sure that I know what this all means. Mr. Morrison is suggesting to you that the Midland Coal Company would be by-passing its recognized wholesale agent, which we know to be Coal Sellers Limited, and selling to some retailer. Do you know whether that is a fact or not?

BY COMMISSIONER MORRISON: Wait a minute. I don't want you to get me wrong. I mentioned Midland because it is a good coal, an excellent coal, and there were other reasons, very obvious in the Court House, that made me think of Midland, but I only used Midland as an illustration. Call it the Frawley mine if you like.

BY THE CHAIRMAN: That is that mine that is closed.

BY MR. FRAWLEY: I thought my mine was down at St. Rose in Cape Breton.

BY COMMISSIONER MORRISON: Chimney Corner.

BY MR. FRAWLEY: You are suggesting that some of those mines bypassed your organization and sold to some of your constituent members, local co-operatives, that is what you said?

A Mr. Chown wrote this brief and I may say it is approved by the Board of Directors. I think possibly there is a little misunderstanding there. Rather I think the local co-operative associations bought from other coal wholesalers rather than direct from the mine.

BY COMMISSIONER MORRISON: Well, where does the brokerage fee come in then?

A I wouldn't like to say definitely.

Q I want to find out how many fees and how many people are getting a rake-off on this coal. I use the word rake-off advisedly.

BY MR. FRAWLEY: I don't think we can pursue it much further because apparently it was written by someone else.

MR. FRASER continues brief:

Increased demand - There is no question that the demand for coal moved sharply upward during war years. The lack of labor to cut wood caused some "wood areas" to start buying coal. Many farmers who had wood lots were short of labor and switched over to using coal. There is also no question that the better economic condition of the farmer also permitted him to buy coal, which he often could not afford in previous years. As a result, many of our Local Associations that never had any real demand for coal previously, suddenly received requests from their members for coal sheds to be installed and the Local Associations to enter the coal business. This was naturally impossible under the regulations of the Wartime Prices and Trade Board, but it appears that after the war is over, many more Local Associations will handle coal.

Reduced Wholesale Margins - While some of the mines have maintained their usual discounts to the Wholesale, many of

them have drastically reduced them and in one or two cases, entirely eliminated them, claiming that their higher costs of operation would not allow any wholesale discounts or, at least, not as much as in past years. Thus, in some cases, the production end of the business has been able to bring down the distribution allowances used before the war. The Wholesale has accepted these lower commissions, even though it has sometimes meant a slight operating loss, when the patronage dividend is taken into consideration. In spite of lower margins, the Wholesale continued to handle all the coal available, as it was felt that the prime responsibility was to get sufficient coal for the Consumer Co-operative Local Associations, even though some small loss might be involved.

MR. FRASER: In that connection I would like to say that that loss referred to there is because of the fact that we do not pay a separate dividend on coal but rather an overall dividend on all our wholesale operations. (Continues brief):

TYPES OF FUEL

If we eliminate the City of Winnipeg co-operatives, which handle quite a wide variety of coals, our figures indicate that approximately 25% of our demand for coal at the present time is for the Souris or Estevan field lump coal, while the balance is largely confined to the Drumheller type lump coal. The reason for this is that there are very few stokers or oil burners installed in farm homes. As far as we can ascertain, the farmers seem well satisfied with these types of Canadian coals, and we have never experienced any great demand for imported coal.

BY THE CHAIRMAN: By imported you mean American?

MR. FRASER: American coal. (Continues brief):

When times are prosperous the demand swings sharply to Drumheller coal, but during the depression, the demand was much higher for the Souris lignite type.

RECOMMENDATIONS

As our experience in the coal business is relatively limited, we do not feel that we are in a position to make specific recommendations to the Royal Commission, but we would like to put forward the following observations that perhaps might be useful or relevant:

- (a) Price of Lump coal - We understand that through the development of stokers and certain types of stoves, there is now quite a good demand for all smaller sized coal, which seems to be proportionately far lower in price to . lump coal, than is equitable.

BY COMMISSIONER MORRISON: I think that is a very sound observation. I have heard the producers, and no doubt you have, complain that the price of the smaller sizes was entirely too low, and I take it from your brief that you agree with that contention?

MR. FRASER: We agree with that entirely. (Continues brief):

We believe that the price of lump coal might be reduced if offset by a corresponding increase in the price of the smaller sizes.

- (b) Summer Prices - It appears to be one of the perennial problems of the coal industry that the summer demand for coal is always too small to keep the mines in active operation. We believe that under stress of wartime conditions and fuel quotas, year-round operation of the mines has been accomplished to a remarkable degree. We feel that once the war is over, the old system will probably return. Perhaps some plan could be worked out whereby lower prices would prevail during the summer months on all types of coal, even if this meant correspondingly higher prices during the winter months, and thus give a real inducement to the consumer to take his coal early.

Aside from these general matters, we would like to add two ideas with regard to the co-operative viewpoint on the distribution of coal.

- (a) Elimination of exclusive contracts - Many of the mines offer exclusive contracts to dealers in small towns, which means that the Co-operative is barred from handling certain types of coal in certain areas. Although this may be a sound policy from the viewpoint of the mines, we do believe it hampers the free movement of coal and does not allow the consumers, as represented by the Co-operatives, to choose freely the brands of coal they desire.
- (b) Retail spreads - The patronage dividends paid by Local Associations to their members who purchase coal, indicate there is ample spread in the retail price structure for the proper distribution of coal and we believe we speak for all Local Associations when we say that any attempt to broaden this spread and thus increase the final cost to the consumer would be a serious blow to the cost of living in a part of the world where coal represents such a large part of each consumer's budget. The Co-operatives have demonstrated that they can reduce the cost of the distribution of coal, and we therefore naturally advocate that there should be more widespread distribution by the ^{Consumer} Co-operatives.

BY THE CHAIRMAN: I don't want you to go into any detail about this, but are the coal consumers getting better prices from your co-operatives than they are from the ordinary distributors of coal?

MR. FRASER: As far as I know, in all cases they are paying exactly the same price at the time they buy, but they do have a patronage dividend returned to them, which lowers the cost.

MR. J. J. SIEMENS proceeds to read Submission of
Rhineland Consumers Co-operative Limited, Altona, Manitoba:

INTRODUCTION

Although our organization does not confine itself to the handling of coal, we do feel that the amount we distribute is sufficiently important to the welfare of our community to present our views on the distribution of coal to the members of the Royal Commission. We believe that our experiences in the coal business are typical of approximately thirty Consumer Co-operatives in Manitoba.

HISTORICAL BACKGROUND

In the year 1931 the farmers throughout Western Canada were in a desperate position. The prices of their products had fallen to low levels, and everywhere the farmer was having a most difficult time to make ends meet. This condition prevailed up to the time of the present war. In their attempts to make their few dollars go a little farther, many farmers became interested in the Consumer Co-operative Movement. In our community many meetings were held and the idea of group buying found ready acceptance. Although it was very difficult to find the necessary capital to go into business, enough money was finally obtained for the purpose of establishing a bulk station to handle gasoline, distillate, kerosene, etc.

As each year passed, our Co-operative grew in strength until today there are over 800 members, within a radius of about 25 miles of the town of Altona, Manitoba. We have been able to supply those members with petroleum products, feeds, coal, implement parts, twine, tires and other items at a considerable saving below the prices offered by private business. We cannot stress too strongly how valuable these savings were during a time when every farmer wondered how he could possibly carry on with such limited returns for the things he produced on his farm.

Like every other Consumer Co-operative, our organization

is pledged to operate on a non-profit basis, and accordingly, any savings made by the end of the year are distributed to the members in proportion to the amount of their purchases. The Association is operated on a strictly democratic basis, each member having only one vote irrespective of his investment in capital stock of the organization. All business affairs are reviewed at the shareholders annual meeting, and a board of directors is elected there to actively supervise the operation of the business during the year.

ENTRANCE INTO COAL BUSINESS

Although it was the intention of the original group, when they first started holding meetings early in 1931, to confine the activities of the Co-operative to the handling of petroleum products, the subject of coal distribution came up for discussion at a directors' meeting in June, 1931. One of the directors had obtained information about the cost of Souris coal at the mine, which appeared to be far out of line with the price the people were asked to pay in the town of Altona. At that time few people could afford to buy anything more than Souris coal, which was retailing at \$7.50 a ton. It was decided to thoroughly investigate the coal business. After obtaining the freight rate and allowing for labour to unload the car, shrinkage and commission to our Co-operative manager, it was found that Souris lump coal could be retailed for \$5.00 per ton in Altona. Later on it was found this price could be reduced to \$4.50 per ton, if the people took the coal right off the car.

Arrangements were immediately made to bring in some Souris coal, and the new lower price proved a great attraction to the members. At that time our organization had no coal sheds, although we did manage to dispose of about 165 tons of coal.

It is interesting to note that the other coal merchants in town immediately brought their price down to \$5.25 per ton

for Souris Lump Coal, where it has remained ever since. They have continued in business, so we presume it was a profitable undertaking even at the lower price, and it appears that the consumer was being badly overcharged for his coal, prior to our entering the field.

However, our success in the coal business was short-lived, as the following year we were advised by the coal suppliers that they would not ship to us unless we had a coal shed. We did not have enough money to build a coal shed in 1932, so we had to temporarily go out of the coal business. However, in 1933 we were able to rent a shed, and that year our sales ran to over 350 tons.

In 1935 we were able to buy a coal shed, and from that day forward have handled a considerable quantity of coal, varying from 1,000 to 1,700 tons per year.

PRESENT DAY COAL BUSINESS

About 1938 conditions had sufficiently improved so that farmers were interested in buying better grade coal, and as a result our organization started to stock Drumheller coal and certain types of briquettes. When we entered the higher priced coal field we did not find the same disparity in prices as when we first started handling Souris coal. It is possible that the other coal dealers had brought their prices down to a more reasonable level before we started handling the higher priced fuels.

At the present time the greatest percentage of our coal demand is for these better types, although we still sell about 30 percent of our total volume in Souris coal.

Although we have apparently the same operating costs as other dealers in town who are now selling at the same price as ourselves, we are still able to return a patronage dividend of approximately 7% on all coal purchased by our members. This represents quite a saving to our members on a season's coal requirements.

BY MR. FRAWLEY: I worked that out, about 35 cents a ton on Souris coal?

MR. SIEMENS: That's right.

BY COMMISSIONER MORRISON: We had a brief this morning which indicated prices on Saskatchewan lignite deep seam, Saskatchewan lignite strip operations, Drumheller, Lethbridge, Bellevue, Canmore, Michel. I wonder if you would supply the Commission with figures from your experience showing mine price, freight ---

MR. SIEMENS: On the Drumheller type?

BY COMMISSIONER MORRISON: All types of coal that you handle--the mine price, the freight, the gross profit, the retail price and the patronage dividend--five columns?

MR. SIEMENS: We will be glad to do it. (Continues brief):

COUNTRY DEMAND FOR FUEL

In Southern Manitoba practically all farmers depend upon coal for fuel. As far as we know, the demand is all for Canadian coal, either of the Souris or Drumheller type. The demand between these two types varies according to the economic prosperity of the farmer. He seems to prefer Drumheller coal when he can afford it, as it is easier to handle and holds the fire longer.

It is the desire of our organization to buy all our coal from our own Co-operative Wholesale. Up to the time of the present war we were able to do this, with the exception of an odd line of coal not handled by the Wholesale. Ever since the current shortage of coal developed during the past few years, there appears to be attempts by the mines to bypass the Wholesale, with the result that we are now able to get only a portion of our requirements from our own Wholesale. It thus appears that many of the mines must be making an extra earning on their coal by avoiding payment of wholesale commission. This means that our Association is deprived of its

share of Wholesale savings on that portion of the coal that we have to buy elsewhere.

SUMMARY

As everyone knows, coal is a very essential commodity to all residents of the Prairie Provinces. It is therefore important that its cost be kept just as low as possible. We are naturally not in a position to comment on the cost of mining the coal or whether the freight rates are equitable, but we do feel that there is adequate margin left for the final distribution of the coal by local distributors. Our experience indicates, without question, that if more coal was distributed co-operatively the cost to the consumer would be substantially reduced.

BY MR. FRAWLEY: What reason do the mines give for by-passing the Wholesale, your Wholesale?

A I can't answer that question.

BY THE CHAIRMAN: That would be a question more properly put to Mr. Fraser.

BY MR. FRAWLEY: You do find that you have to buy direct from the mines?

A Some of this we do.

Q And you would rather if those coals were handled through your co-operative wholesale?

A If we could.

Q For the reason you give, whether right or wrong?

A We prefer to do it that way if we can.

Q Does the mine assign any reason for refusing, which is the word used in Mr. Fraser's brief, to sell to your Wholesale?

A Yes.

Q What do they say?

A They have been refusing to do that.

Q Just give me the names of the mines that have refused.

A I had better check up because I would not like to make a

statement.

Q You will give me that later?

A Yes, I will do that.

MR. J. R. HOLMES reads Submission by Red River Co-operative Supply Limited:

ORIGIN AND METHOD OF OPERATION

Our organization is a Consumer Co-operative dealing almost exclusively in fuel. Approximately 90% of our gross sales represent coal and its products.

In Manitoba the cost of fuel is a major item in every budget, because of the long cold winter and our distance from the coal fields. Our present organization grew out of a group which was formed as a buying club in 1936 to reduce the cost of fuel to its members. Refusal of dealers to sell to the club led to the organization of our Co-operative, in the spring of 1937. From a membership of 400 this Co-operative has expanded until its membership now numbers 1,450. Its method of operation is to sell at market price and return any surplus resulting from the difference between cost and selling price to the members in proportion to their patronage.

Gross sales for the year ending April 30, 1944, amounted to \$90,500.00, and our net surplus for the same period was \$4,063.00.

The society is owned and operated by consumers in their own interests and every effort is made to effect economies in their fuel consumption and assist them with their heating problems. As an example of our efforts in this direction complete records of members heating equipment, type and size of home, and storage capacity of bin are kept on file. This information has assisted us to allocate fuels in short supply and to suggest suitable substitutes to members who are unable to obtain their favorite fuel, or are having difficulty with heating plants.

Consideration is being given to the establishment, as a post war project, of complete inspection and renovation facilities to further assist the membership to reduce their heating costs.

Our society is proud of the fact that in its membership and government it is thoroughly democratic. The membership is open to all who wish to join. Neither race, creed or color is a bar to membership which can be secured by a down payment of one dollar on a five dollar share. The balance of \$4.00 may be paid from patronage dividends if the member desires.

PHYSICAL OPERATIONS

The bulk of the coals distributed by this society originate in Western Canada, but wartime conditions of supply have slightly increased the proportion of American coals being handled.

We embody below a statement showing the source of the coals we have distributed from the inception of this organization until April 30, 1944.

<u>Province</u>	<u>Area</u>	<u>Tonnage, 1937-44</u>	
Alberta	Drumheller	8,579	
"	Lethbridge	158	
"	Foothills	1,608	
"	Saunders	211	
"	Canmore	418	
"	Greenhill	182	
British Columbia	Michel	838	
Saskatchewan	Bienfait	8,776	
Canadian Briquettes		3,282	
Canadian Coke		4,989	
# Coal picked up from other yards		3,357	32,398

Varieties not segregated in records

	<u>Tonnage, 1937-44</u>	
American Briquettes	166	
American Coke	858	
Pocahontas	550	
Elkhorn	1,204	
Others	138	<u>2,916</u>
		35,314

We estimate that 95% of our tonnage is distributed to domestic consumers. The balance is sold principally to apartment, business blocks and manufacturing plants.

As a Co-operative Local, affiliated with Manitoba Co-operative Wholesale Limited, we purchase as much of our supplies as possible from them. Some of the many types of coal sold on the Winnipeg market are not available through our Wholesale, and in cases where they are not available, we purchase direct from mine agencies and brokers.

The table below indicates the cost and selling price per ton of the most popular brands of coal offered for sale on the Winnipeg market.

<u>Type</u>	<u>Cost at Mine</u>	<u>Freight</u>	<u>Total Cost</u>	<u>Selling Price</u>
Drumheller Lp.	\$5.00	\$4.70	\$9.70	\$12.95
Foothills Lp.	5.40	5.20	10.60	14.10
Saunders Lp.	6.65	5.20	11.85	15.25
Souris Lp.	2.25	2.30	4.55	7.20
Briquettes-Canmore	6.15	5.20	11.35	14.60
Briquettes-Heat Glow	7.50	2.50	10.00	13.20
Coke (local)			12.45	15.60

All supplies of coal, with the exception of local coke, arrive by rail. Deliveries to the consumer are made by truck. 90% of the coal delivered to consumers must be bagged at the yard, as it is impossible for the trucks to reach the coal chutes at most residences for bulk deliveries. Trucks, with driver, are hired on a per ton basis. Cost of delivery has increased from 85 cents per ton in 1937 to \$1.10 per ton in 1944, with drivers requesting that all coal must be bagged

in advance and help given to load.

We embody below an operating statement for the year ending April 30, 1944, showing gross trading surplus, expenses incurred and net surplus per ton.

Average Selling Price	\$11.46
Average Purchase Price	8.67
Gross Margin	2.79
Salaries and Wages	.729
Unemployment Insurance	.006
Light, Heat, Water	.014
Taxes and Licenses	.095
Insurance	.075
Telephone	.029
Printing and Stationery	.029
Postage and Excise	.024
Audit	.041
Automobile	.032
Membership and Education	.034
Truck Expense	.025
Yard Repairs	.039
Misc. Expense	.037
Interest	.015
Depreciation	.089
Delivery	.928
Sacks	.038
	2.279

Net Surplus .511

BY COMMISSIONER MORRISON: Now without mentioning that figure that you say is net surplus, does that indicate the amount that was returned to the consumer?

MR. HOLMES: Yes sir.

Q On every ton of coal purchased in your society the consumer saves that amount over what he otherwise would have paid?

A Yes sir.

BY MR. FRAWLEY: He does a little better with you than with Mr. Siemens?

BY THE CHAIRMAN: He has a larger business.

A Our volume is much bigger.

BY COMMISSIONER MORRISON: Siemens hasn't done bad. He reduced the price of coal \$2.50 per ton at the start.

MR. HOLMES continues brief:

MARKET CONDITIONS DURING WARTIME

The uncertainty and irregularity of shipments from the mines have interfered with consumer preferences during the war years. These factors have necessitated the carrying of abnormally large supplies which has required a larger than normal outlay of capital. The advisability of securing popular fuels whenever they are available has also required the use of additional capital.

The increasing shortage of suitable fuelwood and the relatively high prices at which wood is now being sold are resulting in an increased demand for coal. The serious congestion of population in this area with additional housing being provided annually and all available accommodation filled has also increased the demand for coal.

The strenuous nature of the work, both in the yard and on the trucks, requires able bodied men and it is appreciated that they have been difficult to secure. Through the co-operation of the labor available and the membership it has been possible to provide continuous service of a reasonable standard.

BY COMMISSIONER MORRISON: I suppose that the wages that an organization such as yours pays the men who have to do such laborious work compares favorably with those of your competitors?

MR. HOLMES: Yes sir.

A You have not been trying to chisel on that score?

A No.

BY MR. FRAWLEY: You haven't any Truckers' Union to contend with?

A No, we have not.

BY COMMISSIONER MORRISON: You would have no objection if there was a Truckers' Union?

A Personally I would welcome it.

BY THE CHAIRMAN: That is a part of your philosophy, isn't it?

A Yes sir. (Continues brief):

RECOMMENDATIONS

In an effort to place production and distribution on a twelve month basis, the encouragement of summer stocking by consumers should be continued.

BY THE CHAIRMAN: Did you notice some two years ago that the banks were giving some money to people who would buy their stocks of coal? You know what I mean. People sometimes in the spring of the year who would not have enough money to put in their winter's supply. Did you notice any improvement in the market, putting in their coal a little earlier in the year?

A A year ago last summer it was very good, but last year it was not as good.

Q Under the same conditions?

A Under the same conditions.

BY MR. FRAWLEY: You had this government-financed credit for early purchasing of coal?

A Yes.

Q Last year?

A Yes.

Q And the year before?

A Yes.

BY COMMISSIONER McLAURIN: Everybody got scared in the fall of '43 and then we had a fine fall and they weren't going to get scared again, probably accounts for the decrease in '44.

BY COMMISSIONER MORRISON: Perhaps you oversold them in 1943?

A We did in some cases.

BY THE CHAIRMAN: Putting it generally, do you think that would be of assistance or encouragement in getting the consumer to put in an early supply, if they were advised, if you haven't got the money available at the time there will be some which will be given to you on loan?

A Well, if it was of any decided, definite monetary value to them I think the consumer would find his own financing.

BY MR. FRAWLEY: I had a telegram from Mr. Neate this morning and he said notwithstanding the fact they had renewed that arrangement the early buying was not taking hold.

BY COMMISSIONER MORRISON: You extend credit to your members?

A No, we operate on a cash basis. We have tied in with the Solid Fuel credit plan but other than that we operate on a strictly cash basis, but we have no information as yet on the Solid Fuel creditplan, if it would be put into operation this year.

BY MR. FRAWLEY: Well, you had better get after Mr. F. J. Neate. Do you know that lad?

A Yes. (Continues brief):

This might be done in one or more of the following ways:

(1) The railways might be urged to establish lower freight rates during May, June, July and August. This would leave more of their facilities available for grain handling during the last four months of the calendar year, and would also enable them to handle an increased proportion of their coal traffic during the summer months when transportation conditions are ideal.

BY MR. FRAWLEY: Are they ever ideal?

MR. HOLMES: Not for the dealers.

Q You would never think so if you listened to the railroads.

A Well, it stands to reason that in the summertime it is easier to haul a car of coal down the track than in the wintertime.

BY COMMISSIONER McLAURIN: They say they can't haul coal, as a physical problem, because they are hauling wheat in the fall. They may not be hauling so much wheat in the winter-time.

BY MR. FRAWLEY: The trouble with these fellows is, as somebody said, "They won't talk."

BY COMMISSIONER MORRISON: Of course they operate on a cash basis too?

A Very much so. (Continues brief):

(2) The mines might be encouraged to establish lower prices during May, June, July and August.

BY COMMISSIONER MORRISON: Now wait a minute. How are you going to encourage them?

BY THE CHAIRMAN: Lower wages, I suppose.

BY COMMISSIONER McLAURIN: Everybody might make a contribution.

BY COMMISSIONER MORRISON: This is a pretty serious matter.

A I wouldn't like to make any recommendations on that. I think they could work out something.

BY COMMISSIONER MORRISON: You are making recommendations.

Now do you know anything about--you told us something about spreads in retail business. Do you know anything about the operators', companies operating coal mines?

A No.

BY MR. FRAWLEY: Did you ever/^{have}any experience in trying to encourage coal miners, coal operators?

A No, I have not.

BY COMMISSIONER MORRISON: Well, I would suggest to you that you familiarize yourself with the spread that the producers have, then perhaps you would be good enough, after you have familiarized yourself with those figures, to write the Commission and point out how this encouragement could be brought about.

BY THE CHAIRMAN: Well, one way of encouraging them would be to bring down their costs, which they can do in many cases, I

know, without decreasing the cost of wages at all--better mining.

BY COMMISSIONER MORRISON: Our mines in Western Canada are --

BY THE CHAIRMAN: Perfect.

BY COMMISSIONER MORRISON: Not perfect; pretty well operated.

BY THE CHAIRMAN: Some of them.

BY COMMISSIONER MORRISON: The first time you are out, Mr.

Holmes, you spend a few days and see for yourself. I am talking now of Alberta, not talking of Estevan.

MR. HOLMES continues brief:

(3) The dealers might arrange to reduce prices during the summer months and adjust their prices upward during the winter months to compensate for the reduction.

(4) The savings under any of these plans, when passed along to the consumer, should result in increased purchases during the summer months.

(5) As a Consumer Co-operative we are interested in the lowest price to consumers consistent with a fair wage for labor. We believe that the cost of this essential commodity to the consumer is being unnecessarily increased by tariffs and commissions, which should be eliminated.

BY THE CHAIRMAN: Really the consumer is the man I am interested in. All the rest are making money.

(Page 2844 follows)

Exhibit No. 161 - Submission of The Winnipeg
Supply & Fuel Co. Ltd.

MR. J. E. HUGHES takes the stand

BY MR. FRAWLEY - What position do you hold, Mr. Hughes, with the Winnipeg Supply & Fuel Company, Limited?

A. Manager of the Wholesale Coal Department.

MR. HUGHES presents Exhibit 161, as follows:

The Winnipeg Supply and Fuel Company, Limited, whose Head Office is located in Winnipeg, Manitoba, has been engaged in the marketing and distribution of coal since 1905. This brief deals entirely with the operations of its wholesale coal division.

Before going into detail as to the operations of the Company in this respect, we believe that it would be well for us to outline to the Commission our conception of the functions of a wholesale distributor of coal; the functions are twofold:

- (1) To perform a service on behalf of the mines whose products are being distributed.
- (2) To perform a service to the retail coal dealer who is purchasing the products.

To deal first with the services to the mines: The primary function of course, is to insure adequate markets for the coal produced. This is done to the fullest extent possible, having in mind the buying habits of the consumer. Adequate representation must be maintained throughout the areas served in order to assure that retail dealers are fully acquainted with the products offered. Sufficient finances must be available to relieve the mines of any responsibility of assuming any portion of this burden, which runs into a very sizable amount in the case of a wholesale business such as ours. We shall deal more fully with the services performed by our Company on behalf of the mines represented, later in this brief.

The services performed on behalf of retail dealers is that of supplying them with information that is not readily available to them through the channels with which they have day-to-day contact. In this respect, most important information

is supplied, dealing with the subject of fuel combustion and advice on equipment available for the most efficient use of the coals supplied.

At the commencement of this Company's operations and until 1915, the fuel distributed for domestic heating purposes was principally American Anthracite, and for industrial use, American Bituminous Coal, both high and low volatile. These coals were imported during the Spring and Summer months and stored on the docks at Fort William. In the past, the Company also imported large quantities of Coke, and was also the first importer of Welsh Anthracite coal for distribution from Fort William West; with the development of mines first in Alberta, the Company soon interested itself in the distribution of coals produced from that area, and in later years, it also became interested in distribution of coal from the Saskatchewan lignite field.

AREA OF DISTRIBUTION:

The area which the Company serves at the present time comprises the Provinces of Alberta, Saskatchewan, Manitoba and Ontario. In the case of the Province of Alberta, owing to the close proximity of the mines, service to the dealers is rendered there by the mine offices.. In the Province of Saskatchewan are located two direct representatives of the Company, -- one located in Regina servicing the needs of the retail dealers in the Southern part of Saskatchewan, and one located in Saskatoon, acting in a similar capacity in Northern Saskatchewan.

BY MR. FRAWLEY - You say in the case of Alberta - "service to the dealers is rendered there by the mine offices."

A. I meant by the mine offices whose products are distributed there, closer than Winnipeg, Regina or Saskatchewan.

Q. Does the mine office act as agent?

A. To a very limited degree in the case of Alberta.

Q. You are not speaking of mines that your Company control?

A. No. The point is, generally speaking, that in Alberta you can go 40 or 50 miles anywhere, and in ordinary times so much

is distributed by trucks that you cannot establish a market all over the province for any particular brand of coal. I am speaking generally there.

BY COMMISSIONER MORRISON - How about commissions in Alberta?

A. Very little coal sold in Alberta.

Q. But what little there is, who gets the commission?

A. We purchase the coal from the mine and sell it at the regular established retail price.

Q. You are talking about the mines with which you have some association say, instead of having control of? Coal sold in Alberta and the service handled by the mine office, does Winnipeg Supply & Fuel Company get a commission on that?

A. The service furnished by the mine office is merely to accept that order. All the other functions are taken care of by us, handling accounts, and financing, and purchasing of the coal from the mines, as in all other sales we make.

Q. Does the Winnipeg Supply & Fuel Company carry on in Alberta as a wholesaler?

A. Yes.

Q. Under that name?

A. Yes.

Q. And do you supply dealers in Alberta, and institutions?

A. Generally speaking we do not sell direct to institutions, particularly where a retail dealer is established.

Q. What function do you perform in a case of a car of coal that moves out from a mine to a retail dealer in Red Deer say? What service will your company perform?

A. We perform the function of financing.

Q. Financing who?

A. The retail dealer. We handle that sale on the same basis as any other we make.

Q. Then the coal is sold to you?

A. Yes. The mine office merely handles that order.

Q. But the sale is from the mine to Winnipeg Supply & Fuel?

A. Yes.

Q. And upon your instructions sent out to a retailer?

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J. E. Hughes

A. Upon our instructions.

Q. But the sale is really made to you?

A. Yes.

Q. And you pay for it?

A. Yes.

Q. And the retailer pays you?

A. Yes.

Q. It is not a matter of commission?

A. No.

Q. You buy the coal?

A. Outright from the mine, yes.

Q. And you sell it at a fixed price?

A. Yes.

Q. To the retailer?

A. Yes. And we perform services outlined in this brief.

Q. Would you answer to those services?

A. They are enumerated in this brief a little later on.

MR. HUGHES continues brief.

In the Province of Manitoba, representation is taken care of from the Head Office. At the present time, no direct representation is maintained in the Province of Ontario, but we would point out in this respect, that in years gone by, the Company has spent considerable money in developing a market for its Western Gem Drunheller Coal in this Province, and for two years, maintained direct representation there. This representation was discontinued because of the uncertainty of a continued market in Ontario, since its continuance could not be assured without some guarantee of a stable subvention rate over a period of years. The Commissioners are aware of the fact that as yet the subvention rate has not been sufficiently stable or continuous enough to justify high expenditures seeking a market for Drunheller and other Alberta coals, with no assurance that the efforts and money so expended would continue to bear fruit, since government action can and did make it impossible on more than one occasion for shipments to be continued.

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J. E. Hughes

BY MR. FRAWLEY - Would you elaborate on that?

A. The discontinuance of subventions.

Q. Is that what you mean?

A. Yes.

Q. Government action; discontinuance of subventions?

A. Yes.

BY THE CHAIRMAN - Since 1932 no subvention became really of service. Do you know of any year that they were discontinued except the war years?

A. No.

Q. Every dealer in coal felt quite confident at the beginning of the year that those subventions would be continued on to the end of the year?

A. Once Parliament advanced the appropriation, yes.

BY MR. FRAWLEY - There was so much money voted?

A. Yes, each year.

Q. That was not divided between the Eastern Maritime coal and Western coal?

A. No, I don't think so.

Q. So it was possible if there was a great flood of coal shipped under subventions, that the money might run out?

A. Possible.

BY THE CHAIRMAN - Was it voted in a lump sum?

Q. On what basis?

A. Probably based on the previous year's shipment.

Q. So there would be no uncertainty in the minds of those who had been shipping coal into Ontario and Quebec, as to the stability for that year?

A. In the earlier years there was.

Q. Why?

A. They put subventions on prior to 1932.

Q. I am carrying you down to 1932.

A. Since 1932 there has been stability.

Q. I am just asking you those questions because other places we go the operators and everyone else wants a ten year period

stabalized, and I wanted to bring out that as far as I can see there is no reason for any hesitancy for an operator or a coal dealer to go into this thing at the first of the year.

BY COMMISSIONER MORRISON - There have been representations made by some Western operators to discontinue subsidies.

A. Subsidies or subventions?

Q. Subventions.

A. Not to my knowledge. It might still be, but I have never heard of it.

Q. Now at this point: Were you connected with the Winnipeg Supply & Fuel Co. Ltd. at the time that you refer to, about the time the Company had representatives in the Province of Ontario?

A. Yes.

Q. And you have actual knowledge of the experience which your Company encountered at that time?

A. I have, except that it commenced about 9 or 10 years ago and I can only draw on my memory.

Q. At that time I suppose there were other wholesale dealers in Western Canada who also maintained representatives in Ontario?

A. That is correct.

Q. On a competitive basis?

A. Correct.

Q. You encountered some of that, no doubt? Some of that competition?

A. I would think we did, yes.

Q. And this expense that you complain of, that you discontinued because it was such an expense; no doubt other companies were operating just as economically as you were and they would likely encounter the same trouble that you did as to expense down in that area. How many Companies had maintained representatives in the Province of Ontario at that time, to your knowledge?

A. I would say two others, perhaps three.

Q. If I were to suggest that there were perhaps 7 or 8, or perhaps 10 or 12 intermittently, would it be correct do you think?

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J. E. Hughes

A. Perhaps intermittently. We still maintain intermittent representation there.

Q. And it might be correct to say there were 10 or 12 other companies who did the same thing, had intermittent representation in the Province of Ontario?

A. That might be correct.

Q. And the total amount of coal sold with all that effort, I am speaking of domestic coal, I think Mr. Burgess set the figure at 200,000 tons this morning.

A. He was speaking approximately.

Q. Now if the people interested in securing the Ontario market, which apparently seems to be the aim, had combined and endeavored to consolidate their position through a central selling agency and control, and perhaps the plan Mr. Holmes told us about might be a good one, a Board of Directors of each company set up a central selling agency, don't you think that would decrease the cost?

A. As you enlarge your selling operation your expenses automatically go up. These intermittent expenses, the whole cost of that man's time would not be charged against the business in Ontario.

Q. I am not interested in where it is charged, but I am interested in what it costs. If you are in Ontario you are not selling in Manitoba, and it is costing the company money and the costs of your being there must be for a specific purpose, unless your Company is good enough to let you combine business with pleasure and pay your expenses while you are on a holiday.

A. Our Company so designs things that we keep busy all the time.

Q. That applies right down to the mining of coal. But don't you think that a more effective method of invading those markets would be by a combination of all these forces?

A. I can't agree to that.

Q. You would not agree to a central selling agency?

A. I would not say that. That is a matter of policy.

Q. What is the position of your company in that respect?

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J. E. Hughes

A. We think we are set up to distribute the coals of the companies we represent as efficiently as anyone else can do it.

Q. In your business in the Province of Manitoba, the larger the turnover the cheaper the cost per ton?

A. That is correct.

Q. If that is true of Manitoba, would it not be equally true of Ontario?

A. That is true.

Q. In other words, if all these other people agreed that the Winnipeg Supply and Fuel Company would be the central selling agency for the Ontario market, you would have no objection?

A. I would not even say yes to that without considering it. It would be a lot of worry.

Q. Don't you think Mr. Hughes that if the coal industry is to receive aid from the public purse, that they have to put their own house in order first and do everything humanly possible themselves, before they can expect additional aid from the public purse?

A. I think generally speaking they are doing that now.

Q. You have just got through telling me that in the Province of Manitoba the larger the business you transact the lower the cost per ton. You suggested earlier that some 10 or 12 firms has representation in the Province of Ontario for a period of years and sold 200,000 tons of coal. If you call that efficiency?

A. I think it was your suggestion that there were that many representatives there.

Q. I will take your own figures, you knew of 3 or 4?

A. I knew of two.

Q. I know of four.

A. Ten years ago.

Q. I know of 10 or 12 there over a period of time.

A. Prior to the war there were perhaps 6 or 7.

Q. Let us take 6 or 7.

A. The time in review here is 10 or 12 years ago.

Q. It comes down to 1939, and in all that time..

A. There were not 10 or 12 direct representatives.

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J. E. Hughes

Q. You have just said there were 6 or 7?

A. Before the war.

BY THE CHAIFMAN - The wholesale sellers of coal are not interested in a National Fuel Policy, as far as I can see, from the Atlantic to the Pacific they are not interested in a National Fuel Policy.

BY COMMISSIONER McLURIN - You have not been active in that market for some years?

A. Prior to the war we were. We only expected to sell a limited quantity of our coal there.

BY MR. FRAWLEY - You don't have a full time representative of Winnipeg Supply & Fuel there?

A. Prior to the war, but we don't have sufficient tonnage to justify that. As a matter of fact in the last two or three years I have been down there myself for 2 or 3 weeks.

Q. And that was your only selling expense there?

A. Yes.

BY COMMISSIONER MORRISON - Take 4 or 5 that board the train at Winnipeg, or Calgary, and go to Ontario. The net results - would not one or two good men acting for all these companies collectively, have produced the same results?

A. Perhaps if they took a year.

Q. And would it not cut the cost of distribution?

A. I would not say. It takes a certain amount of time to get over the territory regardless of how many people.

Q. Whether you sell or not?

A. Yes.

Q. So your company is not in favor of a central selling agency in that area?

A. We do not see the necessity of it.

BY MR. FRAWLEY - The suggestion being made to you is when you have to get into that market with government help and not otherwise, then your free enterprise is out the window. You stay home if the government does not help?

A. Yes.

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J. E. Hughes

Q. That being so, why is the Government not entitled to insist on the cost of distribution being cut to the bone?. Then all that remains is, is it any help and does it save cost to set up a central selling agency on this assisted coal? Or do you maintain that it is quite all right for each and every mine in the Drumheller field, and there are quite a number, to all go to Ontario and try to sell their own little tonnage?

A. I am not speaking for the other mines, but my submission is that we can sell coal there just as economically as any other firm.

Q. But you don't think if all the others do it too, in the end it might not save.

BY COMMISSIONER McLAURIN - There is a competitive factor there that might be useful. I am the first one that talked of a central selling agency and I am not going to close my mind one way or the other on it. People are difficult to organize. If we are going to talk central selling agency, then we must set up a formula whereby these people will get together and live together amicably, and not fight like Kilkenny cats. That is the human problem, and you cannot just say this will be cheaper. There are also other advantages, uniformity of quality and continuity of supply. There are people there who sell, and the mines won't give them the coal. I think it is unfair to press Mr. Hughes and say you should agree with this. He does not, and he gives us the reason why he does not; and I am not sure that I want to be the fellow that prepares the formula.

BY MR. FRAWLEY - I want to draw Mr. Hughes' attention to these things, and he is holding to his views, and he thinks the ordinary competitive system is good enough to sell this extra tonnage of coal, which the Commission is asked to recommend.

A. And just as efficient and as economical.

BY THE CHAIRMAN - There is another question that becomes involved. The point raised by Mr. Justice McLaurin; that there has been some very bad coal coming from both east and west, and some of the Alberta coal in Ontario has a very bad name; would not some control, or management of the kind of coal sent there, be

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J. E. Hughes

better looked after by some central agency?

A. I believe the order they have in effect now which governs size would eliminate that.

BY COMMISSIONER McLAURIN - No, sometimes they sell the right man the wrong kind of coal. It is not bituminous that he wants and he gets bituminous, and the fellow that needs bituminous gets anthracite.

BY MR. FRAWLEY - You spoke of a sizing order?

A. Yes.

Q. Whose?

A. The Coal Controller's.

BY COMMISSIONER McLAURIN - If a man needs anthracite, no amount of sizing is going to give him what he needs if he is buying bituminous.

BY MR. FRAWLEY - Do you advocate that some such control should be retained after the war?

A. Some standardization of size, not only for Ontario.

Q. You think there should be some control of the coal that goes out of Alberta for Ontario markets?

A. For all markets.

BY COMMISSIONER MORRISON - It would not be bad for Manitoba.

A. It would be all right everywhere.

BY COMMISSIONER McLAURIN - What would you think if the dealers got together and set up their own organization. The Dominion Government might say you can have a million dollars a year for ten years, but you have to get together and work out your own deal?

A. If they gave it to us to spend the best way we could, that would be all right.

BY COMMISSIONER MORRISON - They would not hand you it.

BY COMMISSIONER McLAURIN - They would give you the benefit of \$2.50 a ton as and when shipped, but not any unless it went through an organization that the dealers had created.

BY THE CHAIRMAN The cost to some might only be say \$1.85 and they might ask for the \$2.50. I am not suggesting that anybody would, but there has to be some control.

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J. E. Hughes

BY COMMISSIONER McLAURIN

- The Chairman has pointed out to me that we already have the experience of one central selling agency in Canada, the Dominion Coal Company has, a selling agency in Montreal; and the government might say, you people have to set your house in order as well as Nova Scotia.

A. It might well do that, and I believe there was a suggestion in one of the briefs this morning that they have an advisory council. It was a re-vamped Dominion Fuel Board I believe. Such an organization or body if re-organized would, or should, control matters of that kind.

A. They cannot do the selling.

Q. Frankly I don't like the idea of a government bureau being set up to sell this coal.

A. No, but they could control these bad practices that went on in the past. It is the simple expedient of cutting off a subvention to an offender.

Q. Someone brings down four tons of good Drumheller coal and sells it to someone who should have anthracite. You have to have organized selling to satisfy customers, which would be better than a government functionary hoisting them over bad practices.

BY COMMISSIONER MORRISON - Following that point, I am sure there are other wholesale coal distributors that hold themselves in the same high regard as Winnipeg Supply & Fuel Co.?

A. I am sure there are.

Q. If you get a combination of them all and get them selling and distributing coal in Ontario, don't you think it would be very effective? Just for the purpose of that marketing alone which is being assisted by government money?

A. I fail to see any particular area being ready to adopt that.

BY COMMISSIONER McLAURIN - If I were the advocate for the coal mines in Alberta and wanted these subventions, I would like to have something to take to the government to sell. I would like to say, you are going to be asked to vote a million dollars a year and stabilize this by Statute rather than Orders-in-Council. We are asking you to give this assistance and we will give you

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J. E. Hughes

something in return, economically and efficiently done, and the people in Ontario will be satisfied with the policy which you as Statesmen, or as politicians, are going to endorse.

But just to say, give us more money out west, does not leave you with much to sell.. I may be an operator in Drumheller who is working 140 days a year, and wants his mine to operate 200 days. It is the human problem of keeping that mine working, if for no other purpose.

A. That is actually what you have to sell means to the government of Canada, more continuous operation of the mines and greater employment. That is your main feature.

Q. You have some difficulties sticking out like a sore thumb. How will you divide it among the mines?

A. Some mines in the past didn't want any share of it.

Q. In the Drumheller area?

A. Some of the smaller ones. They didn't go after it anyway.

BY COMMISSIONER MORRISON - They couldn't afford to send a super-man to Ontario.

BY COMMISSIONER McLAURIN - What mines that didn't try to get into Ontario?

A. I would not care to name any one in particular.

A. There are some that are just a little above the gopher stage.

BY MR. FRAWLEY - All the 100,000 tons a year were in it?

A. Yes.

BY COMMISSIONER McLAURIN - And some of the 50,000 tons?

BY COMMISSIONER MORRISON - Yes, and you can go lower than that.

BY COMMISSIONER McLAURIN - That is a discussion that helps us.

BY THE CHAIRMAN - The Commission is not finding fault with you.

A. I don't feel I can change my opinion right here.

BY COMMISSIONER MORRISON - Self-preservation is the first law of nature.

BY MR. FRAWLEY - The Government of Canada would not be voting any subvention to pull this coal all the way from Alberta and help shut out coal coming from natural areas of supply unless you had something to offer them.

A. The best thing you can offer them is more continuous

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J. E. Hughes

employment in their own country.

Q. To the miners of Alberta?

A. Yes, and the transportation system.

Q. If it was only for the good fortune of the miners in Alberta, you might think they would ask the Alberta Government to do some subsidizing. You have to give something surely. You say you want \$2.50 a ton on this coal?

A. That is what we are giving.

Q. What?

A. Creation of employment.

Q. To miners in Alberta?

A. The miners are more steadily employed, and the more steadily they are employed the more supplies they can purchase.

BY COMMISSIONER MORRISON - And don't forget the salesmen.

You have a multiplicity there selling coal.

BY THE CHAIRMAN - The Government has in mind helping out the economy of Canada to produce more wealth naturally. Don't you think that is something for a national coal policy, another reason for the government assisting, add to our production, add to our national income?

BY COMMISSIONER McLAURIN - Human nature and human affairs being what they are, I think any of us might, being a new Minister, ask for a review of the whole thing and then just go on in the same old way and shell out the money and not upset things too much.

BY THE CHAIRMAN - My idea then is not to shell out the money.

BY COMMISSIONER McLAURIN - It might be well for a variety of reasons, to just go on.

BY MR. FRAWLEY - They want some new ideas.

BY COMMISSIONER McLAURIN - Sometimes when you are a Minister of the Crown you like to stay in office.

MR. HUGHES continues brief.

TYPES OF COAL DISTRIBUTED

The Company distributes coal mined in the Provinces of Alberta and Saskatchewan, and in addition, distributes various

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J. E. Hughes

types of coal from the United States of America. From Alberta we distribute the output of the mine of the Western Gem and Jewel Collieries, Limited, at Drumheller, Alberta; also, with the exception of a very few accounts in Alberta, we distribute the output of the Brilliant Coal Company, Drumheller, Alberta. Most of the coal produced by these two mines is used for domestic heating purposes. We also distribute a tonnage of briquettes manufactured by the Canmore Mines, Limited, of Canmore, Alberta. These briquettes are also used for domestic heating purposes. Some sub-bituminous coal from the Coalspur and Saunders area is also distributed, but because of reduced production from these two fields, the quantity has not been great of late years.

BY COMMISSIONER MORRISON - Would you supply us with information under the heading of "Commissions or Profits on Coal", that is, price paid to the mine and price spreads that you enjoy.

A. I can provide that, but not right here.

Q. We don't expect you to do it right here.

A. I have established selling prices at the end of this brief.

Q. Yes, I know that. But you were telling us something about the services you were rendering those two mines, and now you tell us about briquettes. Will you supply us with information as to the price you pay to the purchaser, and the price you charge, or the commission you operate under, price spread base or commission, and indicate what it is, and perhaps the tonnage handled from both those mines in the last three years, and the profit or commission charged for the services you render.

A. I have also filed some confidential information which shows the operation of our company for ten years.

Q. It does not give the information I asked for.

A. Some of that information is very difficult to supply; in the case of Drumheller we are selling everything from slack up to lump.

Q. But I am sure the Commission will be interested to know

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J. R. Hughes

what your commission or price spread is. In the last few years you have not had as many xifferent kinds as in previous years?

A. Just about.

Q. Not quite?

A. We have cut one size out.

Q. Can you supply the Commission with that information?

A. I will endeavor to have that for you tomorrow.

Q. You need not send it in tomorrow, but send it to the Secretary of the Commission, and if it is not complete enough we will come back for more.

A. If you give me plenty of time, that will be all right.

MR. HUGHES continues brief

We distribute to a lesser extent for industrial requirements, bituminous coal from the following mines in Alberta:

Cadomin Coal Co. Ltd.,	Cadomin, Alta.
McGillivray Creek Coal & Coke Co. Ltd.,	" "
Hillcrest Mohawk Collieries Ltd.	Bellefleur, Alta.

From the Province of Saskatchewan, we distribute the extra output from the mine of the Roche Percee Coal Mining Company, Limited, at Roche Percee, Saskatchewan; this coal is used both for industrial and domestic heating purposes.

BY COMMISSIONER MORRISON -Will you include the Roche Percee in with the others?

A. I will give you the complete picture.

MR. HUGHES continues brief.

For the year ending March 31st, 1944, we quote the percentage of coals we distributed from the various fields:

Kind	% of total	% to retail dealer	% to Industrial Consumer
From Drumheller, Alta.	43.56	39.75	3.81
Alberta Bituminous (including Canmore Briquettes)	6.01	4.55	1.46
Saskatchewan lignite	41.93	25.64	16.29
U.S.A. coals including Briquettes and a small quantity of coke	<u>8.50</u>	<u>7.56</u>	<u>.94</u>
	100.00%	77.50%	22.50%

All sales made are upon a carlot basis and prices charged are f.o.b. mine, or in the case of shipments from the United States or Fort William, f.o.b. car at point of shipment.

Appended hereto is a complete list of the fuels handled at the present time with authorized selling prices, to retail dealers.

Filed as an exhibit is a statement showing distribution costs per ton of coal sold for the years 1935 to 1939 inclusive, 1940 to 1944 inclusive, and for the year 1944. Such costs show gross margin per ton, selling expense, advertising and travelling expense, administration expense, including accounting, rent, etc.

SERVICES PERFORMED

Earlier in this brief we referred to the general services performed by a wholesale distributor on behalf of a mine. Specifically, we should now like to point out the functions this Company performs in that respect. In the case of the Drumheller mines whose outputs we distribute, we eliminate the necessity of them maintaining salesmen to market their product. It is our considered opinion that a mine of average production in Drumheller would require the services of two representatives to handle distribution in view of the area over which the coal is shipped. As well as representatives to handle the distribution, the mine would also require further aids in accounting, since they would be obliged to invoice all customers individually -- whereas now one invoice daily takes care of the

day's output. The mines assume no risks as far as bad debts are concerned, admittedly a minor detail now, but one that in the past, was a substantial item and must be taken into consideration in the costs of doing business. We referred before to financing; we purchase the output of the mines represented, pay for the coal purchased twice monthly, arrange such payments so that money is on hand for the mines to take care of payrolls and other production costs. In this manner, money is received long before they would be able to obtain it if sales were made to retail dealers scattered throughout the province. The mines are also relieved of the necessity of any advertising costs; advertising is properly the responsibility of the distributing agency.

Equally important to the services performed for the mines represented are those services rendered on behalf of the retail dealer who purchases and further distributes the products. Prior to war years and the consequent restriction of travel -- due principally to gas ration, it was the policy of this Company to visit most retail dealers in the area served, at least twice each year, and sometimes three or four times during the year, and we should point out that during the Winter months, even in ordinary times, travel was greatly restricted because of road conditions. Naturally, one of the main purposes of making these visits is to market the Company's coal, but regardless of the success of our efforts along those lines, the better service we are able to perform justifies the making of these visits. When calling, any information which we have available is passed along to the dealer. Because of the nature of our operation, much information is available to us that cannot be ordinarily secured by the small retail distributor; we refer principally to information on proper combustion, advice which we are able to give on selling methods that have been proven in other areas, and advertising helps which we supply, sometimes at cost, but more often at no cost to the dealer whatsoever.

During the war years when it has been so very necessary to assure year-round-operation of the mines to provide adequate fuel supplies, quite often it has been found necessary to assist the retail dealer in financing heavy purchases during the Spring and Summer months. Upon occasion, we have also arranged prepayments of freight charges -- a substantial item in the laid-down-cost of coal. Such arrangements have necessarily not been made except at a cost to the Company, which it has gladly met in view of the urgent necessity of the times.

It might be of interest to the Commission to know that a service rendered by this Company to all retail dealers, was the sending out of a monthly House Organ. This House Organ was unfortunately discontinued two years ago because of war conditions, which made it impossible to secure the required amount of paper to have it properly prepared. Because of its admitted service and popularity to the retail dealers, it is intended with the return of more normal times, to resume its publication. Appended hereto are specimens of this House Organ which we feel indicate that it does have some value to the retail trade.

MARKETS

With the exception of the Winnipeg market and to a much lesser extent other areas in Manitoba, coals used are entirely those mined in Western Canada, and during the past few years, the trend in Winnipeg (except in the case of coals for domestic stoker operation, where the preference is predominantly for the high and low volatile bituminous coals of the United States) has been to a much greater use of Western coals.

BY MR. FRAWLEY - You say for stoker coals there is a much greater preference for the United States bituminous?

A. Yes.

Q. Domestic stoker coal?

A. Yes.

Q. Is not that the future of the coal business, domestic stoker?

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J. E. Hughes

A. Much of it.

Q. The domestic half of the business?

A. Yes.

Q. And you say there is a predominating preference for Kentucky and West Virginia coals?

A. Right.

Q. What are the Western Canada operators doing about that? Is there anything inherently unsuitable in the Crow's Nest Pass coals and other western coals?

A. There should not be. Most of the stoker equipment we have is designed for the burning of West Virginia and Kentucky type of coal.

Q. It is not altogether a matter of size?

A. Yes.

Q. And the coking qualities?

A. Yes.

Q. And you say these American coals, at the moment they enjoy the domestic stoker market?

A. The largest percentage of it.

Q. Are those Crow's Nest Pass operators doing anything in the nature of quality promotion?

A. They have the quality. At the present moment of course they have little opportunity to do any more than they are now doing, because there is such a high demand for their coal that at the moment they cannot increase their market.

BY COMMISSIONER McLAURIN - Are stokers for sale?

A. Up to a limited extent.

Q. And the only types available for purchase are those suitable for these Kentucky and West Virginia coals?

A. Generally speaking. They were designed there, and most of them manufactured there.

BY MR FRAWLEY - Are they selected coals, or from a particular field? Do you blend them when you get them here?

A. Generally speaking, yes.

Q. You blend and see that proper stoker mix is supplied to the

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customer?

A. Yes.

Q. Are they iron firemen?

A. Yes, and smaller stokers.

Q. If you had a proper mix of high and low volatile and coking and non-coking Alberta coals, would you not have just as good a product for the iron fireman?

A. We should have but the availability of those coals for the past four years has been such that you cannot increase that. I am not saying there is no future in that for the western coals. With the exception of the Winnipeg market, and that parenthesis refers to the Winnipeg market.

Q. But you are speaking of war time conditions where the Crow's Nest Pass coals have been diverted?

A. Yes.

Q. I am talking of the possibilities post-war, of the western bituminous coals taking over that domestic stoker market from the Elkhorn and other American coals?

A. I would not want to be taken as an expert in answering that. They have good quality coals in the Crow's Nest and Mountain Park areas, and there seems to me to be no reason why they cannot at the proper time increase their sales in this market.

Q. They have never studied it very intensively?

A. I believe that is so.

Q. And a big wholesale like yours could probably furnish it?

A. I would say so.

Q. So you think post-war there is no reason why the Crow's Nest Pass and other Alberta bituminous and sub-bituminous coals, properly mixed, could not come in and take this stoker market from the American coals?

A. No question whatever.

Q. And no question of subventions?

A. Assuming conditions as they exist today, that is relative prices.

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A. Yes, assuming that in 1942.

BY MR. FRAWLEY - You think this Winnipeg domestic coal market is one place where you can probably take some business away from the Americans?

A. If the stoker coal is available.

BY COMMISSIONER MORRISON - Does the dealer generally, and your firm in particular, give greater effort to selling Canadian coal for displacing of American coal?

A. That is a difficult question to answer. The retail dealer's prime responsibility is to see that his customer gets the coal most suitable for him, and sometimes he in his judgment might say American coal is most suitable, and the next time it might be Canadian coal.

Q. In other words you say that your Company, if a customer says he wants American coal, there is no effort made by your company to sell him what you know to be as good a coal in Canadian coal?

A. That is entirely incorrect. The record of our sales indicates that we in the retail business think that is your primary duty, or otherwise you would drive people away from coal entirely.

Q. Except I think the gentleman from the Coal Exchange told us today that there has been no change over a period of years of American coal for the Winnipeg market. It has remained fairly stable. If that is true, have the dealers in Winnipeg reached the saturation point so far as selling Canadian coal is concerned in convincing the customer that they have as good a product mined here in Canada? Because the evidence is that the market has not changed much, and I am wondering what your policy was in that regard, are you trying to stimulate the sale of Canadian coal as against American, or do they take the position that the customer is always right?

A. You have to go back about four years to find out what the dealer would like to do. For the last four years he has not been able to do what he would like to do.

Q. Neither has the producer?

A. That is correct.

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J. E. Hughes

Q. Because I know some producers that would prefer to ship to the Winnipeg market?

BY COMMISSIONER McLAURIN - I suppose a lot of people are educated to these iron fireman, and if they want American coal you have to satisfy that customer. You are in the business of selling coal.

A. There are a number like that.

BY MR. FRAWLEY - Your interest in the personal future of the Alberta miner does not take you that far?

A. Not as a retailer. If he insists on American coal and will accept no other.

BY COMMISSIONER MORRISON - Spreads being equal, Canadian coal will get preference?

A. I would say yes.

BY MR. FRAWLEY - There is a Company here selling American coal, one of the F. R. Hanna outfits, and they are entitled to go about seeking business?

A. It is a very competitive market.

BY COMMISSIONER MORRISON - Of course from one mine to another it would be a natural thing to sell the coal at the largest spread.

BY COMMISSIONER McLAURIN - Provided the future is secure and continuous.

BY COMMISSIONER MORRISON - Yes, and they taking the long term view.

MR. HUGHES continues brief:

We feel that it should not be difficult to retain the increases that have been secured for Western coals. Furthermore, if intelligent marketing practices are adhered to and the desires of the consumer considered, it should be possible to further increase the use of Western coals in the Manitoba market.

TREND OF COALS

There has been a marked change in the trend of the size of fuel required, and from a convenience standpoint, it must be admitted that a properly sized coal is much easier handled where so much of the firing is done by the lady of the house.

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Briquette fuels have very much increased in popularity over the past few years. We believe that one reason for this is the fact that Briquettes are so easily handled, and very important too from the retail dealer's standpoint, is the fact that Briquettes are readily stored with little loss in handling -- even should they be stored for some considerable time.

BY MR. FRAWLEY - Do you see some increase in the sale of Briquettes in this market?

A. Very definitely.

Q. They cost more than the raw coal?

A. Yes.

Q. Considerably more?

A. There is a fluctuation, in the cost of one the spread is only 25¢ over Drumheller lump coal.

Q. Which Briquette is that?

A. The Saskatchewan briquette; Dominion Briquette & Chemical.

Q. And what about Canmore?

A. It is \$15.60. I am speaking from memory. Which would be about \$2.75.

Q. I suppose they are willing to pay more for the greater convenience?

A. Most people are willing to pay much more for their fuel now than they were a few years ago, for that convenience.

Q. And this is more readily stored, and you think the higher price is not going to diminish the market?

A. I believe the demand will continue.

Q. You know enough about the sale of Mr. McDonald's briquettes in this area to say there is room for an extended operation down there?

A. I can only speak in that respect so far as our retail branch is concerned, we can never meet the demand.

BY COMMISSIONER McLAURIN - There is room for an expanded operation if someone puts in a half million dollar plant and gives it to somebody.

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BY MR. FRAWLEY - Would you take on a contract for the whole output of another plant of briquettes in that area?

A. Yes.

Q. The whole output?

A. Yes. I don't think we will get it offered to us.

MR. HUGHES continues brief.

The increased use of domestic and industrial stokers has also had a very marked effect upon the trend in the use of coal. In that respect, we can do no better than quote the following, which shows the change in the sizes of coal produced in the Saskatchewan Lignite field. The information quoted is taken from official records which may be verified.

SASKATCHEWAN LIGNITE SHIPMENTS

1930 table 95, page 67, Coal Statistics for Canada

		%
Run of mine	231,507	44.96
Lump	148,810	28.90
Slack	<u>134,693</u>	<u>26.14</u>
	515,010	100.00%

1937 table 104, page 75

Run of mine	166,408	16.63
Lump & Cobble	323,701	32.36
Nut & Stoker	376,688	38.00
Slack	<u>131,491</u>	<u>13.01</u>
	998,288	100.00%

1942 table 94, page 67

Run of mine	87,982	7.01
Lump & Cobble	219,516	17.48
Nut & Stoker	475,276	37.85
Slack	<u>472,804</u>	<u>37.66</u>
	1255,578	100.00%

FUEL WOOD

Prior to the war, a very large amount of cord wood was used for domestic heating purposes. During the depression years, this wood was produced and sold at very low prices, making very severe competition for coal. Two factors are accountable for the reduced amount of wood which is now available. Scarcity of labour is perhaps the most important factor, but another one

just about as important is the fact that wood is not now so readily available to the railroads and must be hauled long distances before it can be loaded on to cars.

SUMMARY

During the past three years which have been marked by fuel shortages of various kinds at various times, this Company found it advisable to arrange the distribution of its fuels upon a basis which it felt to be equitable to all those whom it supplied. Briefly, this distribution plan was based upon shipments made during the year ending March 31st, 1942. Based upon shipments made during that time, a pro-rata system of shipments was worked out monthly, which assured even the smallest purchaser of his fair share of the coals available. We mention this system of distribution simply because we believe that one of the most important functions of the wholesale distributor is to know market requirements and to assure equitable distribution, and at the same time, to assure to the fullest extent possible, that there will be no dislocation in the markets served through the bringing in of fuels which would not ordinarily enjoy these markets.

RECOMMENDATIONS:

1. We recommend that to assure a more permanent marketing policy for Alberta coals in the Ontario market, a suitable subvention rate be established for such a number of years that distributors will be encouraged to get into this market, reintroducing their fuels with the assurance that their efforts and money expended will not be wasted.

BY MR. FRAWLEY - How much is suitable Mr. Hughes?

A. There are many differences of opinion on that. I have heard some discussion this morning and I don't think I can add very much to that discussion.

Q. Would you think that \$2.50 was enough?

A. The price of the coals coming in from across the line have quite a bearing on that subvention rate. There are some areas

prior to the war where I believe American anthracite was sold for about \$12.00 and Alberta coal for about \$14.00.

Q. That is with the subvention, with the assistance?

A. Yes, that is the retail dealer's price.

Q. In other words, if they really wanted to go in to displace that American anthracite, they would have to have about another \$2.00?

A. In a lot of areas they would.

Q. As a coal man would you think that was good business, to give that Alberta coal enough to say..

A. If you would ask me as a taxpayer I could answer it easily.

Q. Remembering that you are a taxpayer?

A. I don't think so, no.

Q. So it should not be set up on that basis. In other words, how much do you need to displace the American coal, and we will give you that?

A. It should be set up to give the Alberta coal an opportunity to compete with American coal.

Q. They do have on the northern fringe?

A. Yes, on the T. & N.O. line is about the only area we did compete in prior to the war, up in the Sudbury area.

Q. Would it not be too much to let them get right in to Ontario?

A. It would look like it on the surface.

Q. Don't you think you have to stay up in the northern part of the Province?

A. You are then up in the heavily populated part of Ontario.

Q. Do you go more than Mr. Burgess, he says he wants a half million?

A. We don't sell a half million tons a year from the mines we represent, so that very much restricts us. We assume there will be a lot of coal available from these western mines after the war when industry does not require it to the same extent. A lot of them have increased their daily production. If they were seeking markets for that, I am not sure that a half million tons would

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be enough.

BY COMMISSIONER McLURIN - There is a consumer demand for Alberta coal, like Smith Falls, Peterboro, London, Ont.

A. We sent out a circular about two weeks ago, April 10th to be exact, to points in Ontario that have had any form of Alberta coal to 1941, and the response to that has about showed us under, we don't know what to do with the orders.

Q. That is because everyone is frightened that they might not get coal.

A. But even in ordinary times there is a consumer demand in Northern Ontario for Alberta coal.

Q. I know there are substantial sales made in Smith's Falls, and Peterboro and Timmins, and so on, but that is not getting into Toronto.

A. One of the towns we have big orders for right now is Smith's Falls.

BY COMMISSIONER MORRISON - What area did you cover?

A. The area in which we had the best chance to sell the most coal from Sudbury to North Bay and all that line.

Q. And you found the response good?

A. On that line it was very good.

BY MR. FRAWLEY - It is too bad the box cars are not available because in Drumheller now they are on short time and getting ready to let the miners go at the end of this month.

BY COMMISSIONER McLURIN - We are the magicians that are going to fix that all up.

A. Even the open cars are short.

MR. HUGHES continues brief.

2. We recommend continued research on the use of Canadian coals for all purposes and more particularly for their adaptability to domestic stoker purposes.

We recognize the very valuable service along these lines that is being performed by the Research Council of the University of Alberta. Much valuable information has also been obtained in

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the past from the old Dominion Fuel Board. We believe that investigation and research could be more closely co-ordinated, and that the Mines Departments, (Federal and Provincial), producers, distributors and equipment manufacturers should co-operate in furthering research on coal.

All of which is respectfully submitted.

THE WINNIPEG SUPPLY & FUEL COMPANY, LIMITED.

- Wholesale Coal Division -

APPENDIX #1

THE WINNIPEG SUPPLY & FUEL COMPANY LIMITED

Wholesale Coal Division

Price List

October 1st, 1944.

We quote below current prices to equipped dealers.

All prices quoted are subject to change without notice and should not be used for quoting for contracts without first consulting us.

WESTERN GEM - Drumheller

D.S.Lump over 4" screen.....5.15
Granular Lump.....3.75
Egg 2 x 4.....4.15
Nut 1 x 2.....2.50
Stoker 5/8 x 1.....2.15
Slack.....1.00
f.o.b. Drumheller CNR or CPR

ECONO - Saskatchewan Lignite

Cobble 4 x 9.....1.60
Stove 2 x 4.....1.60
Nut 1 x 2.....1.60
Stoker 1/2 x 2.....1.60
Pea 1/2 x 1.....1.60
f.o.b. Roche Percee CPR

BRILLIANT - Drumheller

D.S.Lump over 4".....5.15
Granular Lump.....3.50
Egg 2 x 4.....4.15
Nut 1 x 2.....2.50
f.o.b.Drumheller CNR or CPR

CADOMIN - Alta Bituminous

Mine Run.....4.22
Stoker 1/4 x 1 5/8.....3.92
Slack 1 5/8 down.....3.62
f.o.b.Cadomin CNR Coalspur rate

FOOTHILLS - Coalspur

D.S. Lump.....5.65
Egg 2 x 4.....5.40
Nut.....3.35
f.o.b.Foothills C.N.R.
Coalspur rate

GREENHILL & BELLEVUE - Alta Bit.

Bellivue Lump 2 x 6.....5.12
Bellevue & Greenhill 2 x 5
washed furnace...5.12
Bell. & Gr. Mine Run.....4.12
Gr.Stoker or Nut Pea.....3.87
Bell. & Gr. 1 5/8 x 0 stean3.47
f.o.b. Bellevue C.P.R.

THE UNIVERSITY OF CHICAGO
DEPARTMENT OF CHEMISTRY
JANUARY 1950

RECEIVED
JAN 19 1950

TO THE DIRECTOR
OF THE UNIVERSITY OF CHICAGO

FROM THE DEPARTMENT OF CHEMISTRY

RE: [illegible]

[illegible]

[illegible]

[illegible]

[illegible]

McGILLIVRAY CREEK - Alta Bit.

Lump.....4.87
 Mine Run.....4.12
 Stoker 5/8 to to 1 5/8.....4.12
 Slack 1 5/8 down.....3.37
 f.o.b. Coleman CPR
 Bellevue rate

CANMORE BRIQUETTES.....6.15
 f.o.b. Canmore C.P.R.

HILLCREST MOHLANK - Alta Bit.

Lump over 1 5/8.....4.47
 Furnace Lump 1 5/8 x 4.....4.47
 Mine Run.....3.87
 Stoker 1/4 x 1.....3.87
 Stoker 1/4 x 1 5/8.....3.87
 Slack 1 5/8 down.....2.97
 f.o.b. Hillcrest CPR Bellevue
 rate

U. S. COALS

Black Knight Smithing.....9.85
 f.o.b. car Ft. William

Berwind Briquettes.....10.00 (.99)
 f.o.b. Duluth - Can. funds.

@ Pocahontas Slack.....7.40 (1940)

Elkhorn

@ Stoker.....9.00 (.85)
 @ Screened Egg.....9.45 (.95)
 Yough Scrd Lump.....8.60 (1.15)
 Yough Dock Run.....8.00 (1.15)

The amounts shown in brackets are the
 maximum subsidies allowable on coal
 sold for Consumer Goods.

f.o.b. cars Fort William.

@ .15¢ for Oil Treating.

BIGHORN SAUNDERS CREEK - High Vol.
C Bit.

D. S. Lump.....6.90
 Junior Lump.....6.90
 Ostrick Egg Stove.....6.00
 Nut.....4.40
 Slack.....3.15
 f.o.b. Saunders C.N.R.

ALEXO - High Vol. C. Bit.

D.S. Lump.....6.90
 Empire Lump.....6.90
 Egg Stove.....6.00
 Nut.....4.40
 Pea Slack.....3.15
 f.o.b. Alexo, Alta. C.N.R.
 Saunders rate

EXHIBIT NO. 1.THE WINNIPEG SUPPLY AND FUEL CO. LIMITEDWholesale Coal DivisionAnalyses of Sales

	<u>Five Years</u> <u>1935-1939</u>	<u>Five Years</u> <u>1940-1944</u>	<u>Year</u> <u>1944</u>
Tons.....	626,921	1,037,052	298,988
Average Gross Profit per ton	\$.29	\$.189	\$.17
Selling Expense - Salaries, advertising, auto, travelling			
General	\$.012	\$.075	\$.052
Ontario	.012	--	--
Regina	.019	.015	.008
Saskatoon	.019	.018	.016
Telephone, telegraph, & Postage	<u>.012</u>	<u>.016</u>	<u>.014</u>
Total Selling Expense per ton	\$.164	\$.114	\$.080
Administration Expense -			
Salaries, Rents, Taxes, Stationery, General Office, etc.	<u>\$.082</u>	<u>\$.052</u>	<u>\$.044</u>
Net Average Profit per Ton...	<u>\$.044</u>	<u>\$.023</u>	<u>\$.046</u>

MR. N. A. BRAND takes the stand, and submits -

Exhibit No. 162 - Brief of Empire-Hanna Coal Company, Limited.

Mr. Brand then reads Exhibit No. 162, as follows-

HISTORICAL RESUME

The Empire-Hanna Coal Company Limited is the successor to the Empire Coal Company Limited. The Empire Coal Company Limited received its Dominion Charter on October 4, 1911, and commenced in the coal business in the City of Winnipeg on that date. The Head Office of the Company was originally in the City of Winnipeg. Subsequently the Head Office was moved to Montreal, and latterly to Toronto, where it has been located for nearly twenty years.

We are not in a position to state the total capital employed by the Company in its various operations in Canada. In regard to the Winnipeg division, however, the amount of coal imported and carried in stock on the docks at Fort William often represents an inventory of from \$750,000.00 to \$1,000,000. See below schedule of high and low inventories for the fiscal years ending March 31st:

	<u>Inventory</u>	
	<u>High</u>	<u>Low</u>
1939	\$ 607,860.36	\$ 284,630.59
1940	482,577.68	199,002.97
1941	707,290.39	269,589.21
1942	620,566.91	252,044.62
1943	547,960.21	323,196.75
1944	900,342.23	79,939.43
1945	824,617.89	319,415.47

The Company imports United States coal to Fort William and distributes coal from that point as far east as Geraldton, Ontario, and west as far as Winnipeg, Man.

TYPES OF COAL HANDLED

All the coal imported by the Company to Fort William is United States bituminous coal, of various types and sizes

for both industrial and domestic use. These coals originate in the States of Kentucky, West Virginia, Virginia, Pennsylvania and Ohio. The sizes imported for industrial use are Nut Slack, Nut, Run of Mine, and prepared Lump, Egg and Stoker coal. For domestic use Elkhorn and Pocahontas coal in prepared sizes.

Below are representative analyses on Pocahontas (West Virginia), Elkhorn (Kentucky), Fairmont (West Virginia), and Piney Fork (Ohio) coals.

	<u>Poca Egg</u>	<u>Elkhorn Stoker</u>	<u>Fairmont Lump</u>	<u>Piney Fork Egg</u>
Moisture	1.40%	1.4%	2.1%	4.40%
Volatile Matter	15.22	36.8	39.1	38.49
Fixed Carbon	76.99	59.9	52.9	54.15
Ash	6.39	3.3	5.9	6.96
Sulpher	.52	.6	2.05	2.32
B. T. U.	14,526	14,540	14,044	13,027
F. T. A.	2290	2500	2140	2217

BY MR. FRAWLEY - These are Bureau standards of analysis?

A. Registered by the Mines with the bureau standards.

MR. BRAND continues brief

The prices paid for the various coals imported are the maximum prices as authorized by the office of Price Administration, Washington, and vary considerably from one type and size of coal to another. The following are examples of prices f.o.b. cars at mine, on various coals imported by us during the season of navigation 1944.

<u>POCAHONTAS</u> (West Virginia)	-- Caretta Egg and Lump --	\$4.00 to \$4.30 per ton	at mine
	Olga Egg and Lump	-- \$4.05 "	4.15
	Other Poca Egg & Lump	-- 3.59 "	4.02
	Keen Mountain Nut	-- 3.35 to \$3.45	
	Olga Nut	-- 3.65 "	3.75

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N. A. Bland

<u>ELKHORN</u> (Kentucky)	-- Elkhorn Egg	-- \$3.35	per ton at mine
	Col. Jackhorn Egg	-- 3.15	
	Southern Lump	-- 3.20 to \$3.95	
	Cavalier Stoker	-- 3.70 to \$3.80	
	Creech Stoker	-- 3.95	
	Anthras Nut Slack	-- 3.40	
	Poinsetta " "	-- 2.95	
	Crockett " "	-- 3.00	
	Lower Hignite "	-- 2.95	
<u>FAIRMONT</u> (West Virginia)	-- Mountaineer Lump	-- 2.85 to \$3.00	
	" Egg	-- 2.75	
	Rosemont Lump	-- 2.90	
	Scott Lump	-- 2.95	
<u>PINEY FORK</u> (Ohio)	-- Piney Fork Egg	-- 2.63 to \$2.93	

The present Wage Agreements in the United States will probably increase the price of these coals by .25¢ per ton.

The laid down cost of these coals to us at Fort William include the following:

1. Cost price per ton at mine.
2. Freight rate to lake port from mine. (Pocahontas, \$2.06 per ton; Elkhorn, \$1.91 per ton; Fairmont, \$1.76 per ton; Piney Fork, \$1.53 per ton).
3. Assembling, dumping and forwarding charge at U.S. port, at 14¢ per ton.
4. United States funds on items 1, 2 and 3.
5. War Tax, 10% of the cost of coal in United States funds.
6. Vessel rate; .40¢ per ton to the major Fort William docks by bulk carrier, which is the rate applicable on coal imported by us.
7. Duty at .75¢ per ton.
8. Dock handling at Fort William, which is .40¢ per ton for rail shipment outside of Fort William and .50¢ per ton when switched within the terminal.
9. Cost of re-screening coal for domestic use.
10. Allowance for degradation caused by item No. 9.
11. Interest charges on the monthly inventory at 5%.

BY MR. FRAWLEY - Before we go any further, have you at any place built up these mine prices on page 2 to the laid-down Winnipeg price?

A No.

Q. I wonder if you would supplement this by doing that? You can take as much time as you like and send it in.

A. All right.

MR. BRAND continues brief

All coal is sold in carload lots to fuel dealers or industrial concerns. In every case the cost to the dealer would include the items listed above plus the railroad charges from the Fort William docks to the dealers' yards, or to the industrial plant; plus oil treating if desired and when oil is available.

The switching rates for coal from the Fort William docks to dealer's yards in Fort William and Port Arthur, are as follows:

C.P.R. dock to dealers on C.P. trackage, Ft. William	- .40¢ per ton
C.P.R. " " " " C.P. " Pt. Arthur	- .40¢ " "
C.N.R. " " " " C.N. " Ft. William	- .40¢ " "
C.N.R. " " " " C.N. " Pt. Arthur	- .50¢ " "

As there is no free interswitching at present in the Lakehead terminal the cost of moving coal from one railroad dock to dealers on the other railroad trackage is as follows:

C.N.R. dock to dealers on C.P. trackage, Ft. William	- .80¢ per ton
C.N.R. " " " " C.P. " Pt. Arthur	- .90¢ " "
C.P.R. " " " " C.N. " Ft. William	- .80¢ " "
C.P.R. " " " " C.N. " Pt. Arthur	- .80¢ " "

The freight rate from Ft. William, Ont., to Geraldton, Ont. is
\$2.30 per ton

The freight rate from Ft. William, Ont. to Dryden, Ont. is
\$2.10 per ton

The freight rate from Ft. William, Ont. to Kenora, Ont. is
\$2.50 per ton

The freight rate from Ft. William, Ont. to Winnipeg, Man. is
\$3.30 per ton

The following schedule will show the annual tonnage of coal imported by our Company during the past ten years, to Fort William, also the division between industrial and domestic coal.

S.

-2878-

N. A. Brand

<u>Season</u>	<u>Total Imports</u>	<u>Industrial</u>	<u>Domestic</u>
1935-1936	64,818 tons	46,390 tons	18,428 tons
1936-1937	107,216	81,641	25,485
1937-1938	142,979	109,251	33,728
1938-1939	84,165	53,660	30,505
1939-1940	104,581	71,639	32,942
1940-1941	122,663	83,538	39,125
1941-1942	92,969	68,427	24,542
1942-1943	111,226	64,970	46,256
1943-1944	244,938	189,373	55,565
1944-1945	185,032	124,253	60,778

The abnormal heavy imports during the past two years were brought about by the fact that Western Canadian mines were unable to meet the industrial demand and at the request of the Coal Controller, Ottawa, we assumed definite pieces of business and imported coal for their requirements. These companies, however, which we supplied, have since been advised that Canadian Coal is now available and consequently our future imports will not be designed to meet their requirements.

BY MR. FRAWLEY - Why do you say "consequently"?

A. We built up our imports, or imported sufficient coal to meet their requirements, and now that they can obtain Canadian coal we are not interested in selling them.

Q. Now that Canadian coal is available they will go back to Canadian coal?

A. Yes.

Q. You know that?

A. They have been instructed to do so by the Coal Controller.

The companies were removed from Canadian coal because of shortage of supply and told they would have to burn American coal. Last Spring the Coal Controller advised them that they could no longer procure American coal and they would have to go back to Canadian coal.

MR. BRAND continues brief

The competition for all coal merchants in this area consist s of:

1. Oil
2. Gas (in the City of Winnipeg)
3. Electric power (which is used extensively by various industrial firms, especially paper mills throughout Northwestern Ontario).
4. Insofar as our Company is concerned we have competition from other importers of United States coal as well as all producers of Western Canadian coals).

BY MR. FRAWLEY - That gas in the city of Winnipeg is largely manufactured from coal?

A. Absolutely.

Q. So that the company that supply the bulk of their requirements would not consider gas competitive as far as they were concerned?

A. I don't suppose they would. But it would be competitive if you happened to be a customer of some small retail dealer and you went to gas, he would lose you as a customer.

MR. BRAND continues briefDISTRIBUTION

Nearly all shipments made by this Company from the coal docks at Fort William to all points west and east of Fort William, are made in box cars. The railroads carry grain to the Lakehead for an eastbound movement and it is then a normal and profitable movement to load coal for points west of Fort William, as far as Winnipeg.

BY MR. FRAWLEY - I presume that would be profitable further if there were any loads for points further distant?

BY COMMISSIONER MORRISON - The railways admit that, do they?

A. I have never asked them.

Q. I have never heard them admit yet that anything was profitable.

A. I think under pressure they would even admit that.

BY MR. FRAWLEY - How do you get them under pressure?

A. In a jamb; take some business away from them.

BY COMMISSIONER MORRISON - If you could bring it in on a pipe line, they would then perhaps admit that it was profitable to haul.

MR. BRAND continues brief

This fact has been clearly demonstrated during many winters when the railroads have had difficulty in providing cars for shipment of coal from various western mines, but there has always been an abundance of cars at Fort William which can be used for a westward movement, as cars were moving back to the prairies to be re-loaded with grain.

PROSPECTS

During the war years the demand for coal has been very heavy and all companies have had greater difficulty in obtaining coal to sell, rather than in selling it. The area in which the Empire-Hanna Coal Company Limited markets its fuel is highly competitive with all competing types of fuel.

The Company markets Canadian coal to the best of its ability in addition to United States coal, which it imports. The amount of Canadian coal marketed by the Company represents 4.19% of the total sales, of the Winnipeg division.

Oil has not presented serious competition to the coal dealers in Winnipeg during the past several years. In all probability when new and better equipment is available, oil will become a serious threat to all kinds of coal, in this market area.

Very little anthracite coal is sold in the Winnipeg market; so little in fact that any consideration of it is not worth mentioning.

Prior to the war wood supplied a substantial percentage of the fuel demands in the city of Winnipeg. We are not in a position to state just exactly what that percentage was, but believe it would be equivalent to at least 250,000 tons of coal or more. In all probability when labour is more freely available a greater quantity of wood will again appear in the Winnipeg market, and it will again become competitive with coal.

From the best information that we can obtain there are

from five to six thousand stokers, domestic and industrial, installed in the Fort William - Port Arthur and Winnipeg area at the present time. During the calendar year 1944 nearly 1,200 of those stokers were installed. There has been a very definite trend during the past ten years towards stoker heating.

BY MR. FRAWLEY - I suppose that all the equipment that could be obtained was installed?

A. I think that is practically correct.

MR. BRAND continues brief

This trend has reflected itself in our business by an increased sale of high grade, specially prepared stoker coals. It is our considered opinion that with the end of the war many hundreds more stokers will be installed, and that there will be a continued trend away from Egg and Lump coal, coke and briquettes, to Stoker sized coal. The coal industry will, in the future, have to assist in the development of household heating equipment to make it as nearly automatic as is possible, if the industry is to survive.

BY MR. FRAWLEY - Has your Company done anything in that direction in the past?

A. I am not quite prepared to answer that because I am not very familiar with what our company has been doing for some time. We do maintain an engineering staff, and in the United States our American affiliates there are very closely tied in with all the experiments in stoker equipment and coal burning equipment, but just to what extent the Company has identified itself with this, I don't know.

Q. I was wondering to what extent you follow the same policy in Canada?

A. You mean in the Company identifying itself with the establishment or manufacture of equipment to burn various types of coal?

Q. And financing the sale of stokers?

A. We have never gone into that. We are very closely connected with the Iron Foundry Manufacturing Company in our engineering

department. There is no financial connection to the best of my knowledge, but the engineering staff through the American Institute and the Batelle Institute etc., there is a very close co-ordination of ideas with them and governing bodies on equipment of that kind, and I think, generally speaking, that progress made in those investigations is general, and does not apply to any particular type of coal, and with minor adaptations can be suitable for one type and another.

BY COMMISSIONER MORRISON - In other words you get back to the central selling agency that Commissioner McLaurin suggested - they have really co-operated and done a fine job?

A. I thought you suggested the central selling agency?

Q. No, Mr. Justice McLaurin.

A. That is not a new idea, is it?

Q. It is new to some people in Winnipeg.

A. Probably the greatest objection to your central selling agency is right in your own town of Calgary, and the adjacent Drumheller area.

Q. Perhaps they emanated from there?

A. Being a capable salesman yourself, as I know, you should have sold the idea much better than you have.

MR. BRAND continues brief.

SUMMARY

Fuel supplied by the Empire-Hanna Coal Company Limited has always been of a class and quality to cater to the most discriminating customers. Our fuels are specialized fuels imported from the mines in the United States producing the highest grade and quality of bituminous coal. We have never catered to a low price market, but have rather sold quality fuels on the basis that they were the cheapest in the long run.

At the present time, as stated on page 2 of this brief, United States coal carried the additional burden of War Tax and United States Exchange. We believe that when hostilities are over the government cannot consistently continue to collect a War Tax,

and we anticipate that this tax will be abandoned at a not too distant date.

The present rate of foreign exchange on United States money is a fictitious one, not based on the balance of trade. We believe that this rate will alter shortly after the end of the present war and Canadian money may reach a parity with United States money.

If these two things take place, that is: Canadian money at par with United States money and the War Tax discarded, United States coal will be able to maintain a normal market in the Winnipeg area and Eastwards, without any adjustment in the existing tariff.

We would also draw your attention to the fact that on every ton of Canadian coal moved under subvention to Ontario, that the cost to the government is not only the subvention which is paid, but also the loss of duty and (at the present time) war tax which would normally be collected by the Government if United States coal were used.

BY COMMISSIONER McLAURIN - What is the name of your parent Company?

A. One is Consolidated of New York, and the N. A. Hanna, and our Canadian Company is Empire-Hanna Coal Co. Ltd.

BY MR. FRAWLEY - This is purely a sales operation?

A. Yes.

Q. Not losing any money?

A. Not yet.

Q. And therefore no reason to believe you are going to retire from this market?

A. Not unless we do.

Q. Unless government subvention or something else forces you out, you are going to stay here and try to sell American coal?

A. That is my intention.

Q. Mr. Matheson tells me that the dumping on the docks is 9¢ a ton. Do you know where the other 5¢ comes in?

A. A charge to our brokerage agents in the States for getting

boats and arranging shipments.

Q. It goes under Assembling?

A. Yes. The first charge is the railroads; and you have to get a ship's broker to get hold of your shipments.

Q. Mr. Matheson would not know that, outside of the railroads.

A. Well he knows it now.

Q. There has not been any very serious effort by the bituminous mines in Alberta to enter the domestic stoker market?

A. I have not observed it. I judge you mean a very extensive advertising campaign?

Q. Or coming here to try and sell the proper stoker mix?

A. The representatives of those mines?

Q. I think you would observe them if they were very appreciable.

A. I have not noticed.

Q. So your coal gets most of that stoker market at the moment?

A. No, I don't think that it does.. I think the amount of U.S. stoker coal sold in Winnipeg is overrated or over-guessed. I think the majority sold in Winnipeg is Saskatchewan Lignite. Our sales of stoker coal in the fiscal year here would run in the neighborhood of 20,000 tons.

BY COMMISSIONER MORRISON - They are the non-discriminating buyers?

A. I beg your pardon?

Q. You say you cater to the most discriminating customers; and these chaps you refer to now are not very discriminating.

A. I am glad you brought that to my attention. But if there are five or six thousand stokers in the market (which is as accurate a figure as I have been able to obtain) I would consider that they would burn 60,000 tons at a minimum.

BY MR. FRAWLEY - And you get 20,000 of that?

A. Yes.

Q. And you say the greater part of the balance goes to the Souris coal?

A. I think so.

Q. There is a very appreciable difference between the Winnipeg price of Elkhorn stoker and Souris stoker?

A. I don't know of any case where Elkhorn is sold by itself. It is blended with Souris Midnight, and the customer gets a good coal for an average price.

Q. They use yours to make it more respectable?

A. Something like that. Like putting a gown on lawyers.

BY COMMISSIONER MORRISON - In your second last paragraph you refer to - "... United States coal will be able to maintain a normal market in the Winnipeg area.." What do you regard as a normal market in the Winnipeg area for your coal?

A. I think if you will turn to page 3 and see what our imports were during the years listed.

Q. But that shows the coal imported by your Company to Fort William, and shows the division between industrial and domestic coal. That does not answer my question as to what you regard as a normal market in the Winnipeg area alone, not "and Eastward"?

A. I have never divided my tonnage exclusively.

Q. Can you do that?

A. Yes.

Q. You say "a normal market in the Winnipeg area and Eastward." You give that picture on page 3.

A. I would think Mr. Morrison that in the last two or three years our normal market in Winnipeg of coal sold through the dealers has been slightly less than 40,000 tons.

Q. In the last?

A. Taking the last two or three years.

Q. Would you regard that as a normal market?

A. I would, yes.

Q. Having due regard to the fact that Coal Control was telling people that they could not get Canadian coal?

A. That was industrial companies that were told they could not get it.

Q. I am dealing with the market, industrial and domestic.

A. My statement was that during the past two or three years the sales of coal made by our Company, of domestic coal to retail dealers, has been approximately 40,000 tons per year. That does not take in coal brought in for industrial purposes because of

the shortages of Canadian coal.

Q. Can you tell us what the market is for industrial coal?

A. I don't think it would exceed six thousand tons.

Q. That is normally?

A. Yes; pre-war, and perhaps post-war.

BY MR. FRAWLEY - For American coal?

A. Yes.

Q. The Souris field has done a great deal in getting into the industrial market?

A. Yes.

Q. Do you try to compete with that?

A. No.

Q. Why?

A. Because I prefer to sell something that I can make a profit on. I could not compete with something that is \$1.60 at the mine. When I pay a freight rate, and duty, and so on.

Q. You just bow out on that kind of business?

A. Yes.

Q. Tell me the policies of your Company, which are I suppose the policies of the Toronto Company? Is this operated as a branch of Mr. Burns' office in Toronto?

A. Yes.

Q. Do you enjoy the same spreads the Toronto office gets?

A. I don't know what they get. I think we enjoy a greater spread or it would not be as profitable.

Q. You are coming out here and meeting this Alberta coal half-way?

A. Yes.

Q. You are not depressing your spreads?

A. No.

Q. You are getting a perfectly proper legitimate spread that is good enough for any coal?

A. Yes. I think you will find a statement here.

BY COMMISSIONER MORRISON - Perhaps you will file a statement

showing what those spreads are? You heard the questions asked Mr. Hughes?

A. Surely.

Q. Perhaps you can supply us with a statement showing just what they are, and the different sizes?

A. Surely.

BY MR. FRAWLEY - As to the size of the margin you have, and we can tell from that very clearly whether you are in the business on a proper scale, or just sent out here to operate on depressing margins for the sake of pushing the coal.

BY COMMISSIONER McLAURIN - Have you any competitors selling American coal here?

A. Oh yes, Osler, Hammond & Nanton, and James Murphy at Fort William, who import some American coal and sell it here, and the Winnipeg Supply & Fuel Company import a little American coal. They would not be so kind as to leave it all to myself.

Q. We have heard nothing about it.

BY MR. FRAWLEY - Did they go into that after you came here.

A. No, they were here before.

4:40 P.M. HEARING ADJOURNED

AIR
C

ROYAL COMMISSION ON COAL

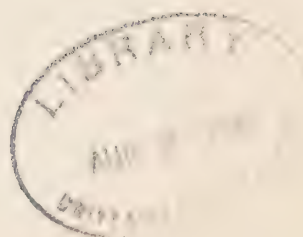
Winnipeg, Manutoba, April 25th, 1945.

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LIST OF EXHIBITS

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ROYAL COMMISSION ON COAL

Winnipeg, Man.,
April 25, 1945.

The Royal Commission on Coal resumed its sittings at the Court House, Winnipeg, Manitoba, on Wednesday, April 25, 1945, at 10.00 A.M.

PRESENT:

Hon. Mr. Justice W. F. Carroll, Chairman
Hon. Mr. Justice C. C. McLaurin, Commissioner
Angus J. Morrison, Esq., Commissioner
J. J. Frawley, K.C., Commission Counsel
R. D. Howland, Secretary

BY MR. FRAWLEY: The submission of Osler, Hammond and Nanton--Mr. Anderson. You are the manager of the coal department of Osler, Hammond and Nanton, Mr. Anderson?

MR. J. R. ANDERSON: Yes sir. Mr. Chairman, before I commence I would like to direct Mr. Morrison's attention to this letter. It is brief, designed to keep the costs of distribution down.

BY COMMISSIONER MORRISON: Is that typical of those who are handling the coal or is it setting a good example to your competitors?

MR. ANDERSON: It is typical, sir.

Exhibit 163 - Submission of Osler, Hammond
& Nanton, Limited, Winnipeg

MR. ANDERSON proceeds to read Exhibit 163.

Our company, which has been operating in Western Canada since 1883, established a fuel department in 1890, and since that date has been engaged continuously in the distribution of coal and coke on the western prairies, and that portion of Ontario lying west of the Great Lakes, with occasional shipments east of that area.

During the early period of our operations, our business was confined to the importation of fuel from American sources, our practice being to bring forward our requirements during the summer season and stock same on the docks at Fort William and Port Arthur for distribution as required. Due to the fact that western requirements were almost entirely filled from this source, and the number of those engaged in the wholesale trade at that time strictly limited, marketing problems of a serious nature did not arise.

One of the earliest operations in the development of western coal mining was that of the Galt mine at Lethbridge whose output was distributed largely through our office as then constituted. In the handling of the Galt output, as well as our importations from American sources, our practice was to stock local dealers in the country districts during the off-peak season. In Winnipeg our own retail yards provided stocking facilities for coal and coke. In the case of the latter fuel, we at that time distributed coke output of the Winnipeg Electric Gas Plant.

As the settlement of the western prairies progressed, new mines came into production capable of meeting the demands of the market for both steam and domestic fuel. With the establishment of subventions by the Dominion Government in 1930, there came about a complete change both in sources of supply and marketing arrangements, with a consequent reduction of importations from American sources. Prior to the outbreak of the war it had been demonstrated that the mines of Alberta and Saskatchewan were capable of filling all the requirements of the prairie west with a substantial surplus to be disposed of outside of that area.

Prior to 1930 we disposed of our wholly-owned retail outlets but continued our practice of stocking those dealers with facilities for storing both coal and coke during the summer months. Our adherence to this policy was caused by the

knowledge that this was the only solution of the problem created by the concentration of buying during a seven months' period with almost a complete shutdown for the other five months, which inflicts a very definite hardship on those engaged in the industry.

Our stocking policy has been to assume entire responsibility for the payment of both fuel and freight, thus guaranteeing to the producer payment for his product, and to the railways their freight charges, and taking ourselves all credit risks covering stocking arrangements. This policy also applies to all purchases made by us during the heating season. Under this system, losses must at times occur but no portion of such loss has been borne by either the producer or the railways. The mines we serve receive payment on due date though payment to us may be delayed in some instances for sixty or ninety days.

In marketing we maintain a sales staff in Winnipeg and at other strategic points for the purpose not only of bringing the merits of the fuels we handle to the consuming public, but to render service so frequently needed when customers acquire new burning equipment or are unfamiliar with the burning characteristics of certain brands of western coal. We plan and pay for our own advertising for the fuels we represent, and through our administrative staff take care of orders, placements and diversion of cars, the latter a service which frequently becomes necessary on behalf of the mines when weather conditions affect local distribution and cars then en route to certain points must be diverted and a new outlet found for them.

For your information, we show below coals and the per ton costs of fuels distributed by us in the Winnipeg area:

W.

-2891-

J. R. Anderson

		<u>Mine Price</u>	<u>Freight</u>	<u>Retail Price</u>
Cadillac	Lump	\$5.00	\$4.70	\$12.95
	Egg	4.00	4.70	12.10
Galt	Lump	5.00	4.70	12.95
	Egg	4.00	4.70	12.10
McLeod River	Lump	5.40	5.20	14.10
	Egg	5.40	5.20	13.60
Canmore	Briquettes	6.15	5.20	14.60
	Lump	5.72	5.20	14.50
	Stove	5.47	5.20	14.25
	Stoker	4.22	5.20	13.00
Drumheller	Lump	5.00	4.70	12.95
	Egg	4.15	4.70	12.10
Taber	Lump	4.90	4.70	12.95
	Egg	3.90	4.70	12.10
Zenith Coke	Stove	10.90	3.65	17.65
	Nut	10.90	3.65	17.65
	Pea	9.90	3.65	16.65
Havannah	Lump	2.25	2.30	7.20
Cobble	Stove	1.60	2.30	6.60
	Stoker	1.60	2.30	6.50

BY MR. FRAWLEY: What does that mean, Mine Price?

MR. ANDERSON: That is the price at the mine, which includes the wholesalers' commission.

Q We had some discussion about that yesterday. Do you sell these coals on commission for the Lethbridge collieries? Do you buy their coals or sell them on commission?

A On commission, yes sir.

Q It is their coal all the time?

A Once it leaves the mine it is our coal.

Q You buy the coal?

A Yes.

Q What is this price then of \$5.00?

A It is our selling price to the retail dealer in Winnipeg.

Q We will leave it Mine Price, but for my sake I am going to call it that. It is the Osler, Hammond and Nanton price to retailers in Winnipeg?

A Yes. (Continues brief):

Our gross margins on coal and coke average forty-one cents per ton on American fuel and twenty-five cents per ton on Canadian coals. These percentages bear no relationship to the laid down price of fuel, service rendered or credit risks taken. The margin on Canadian fuels leaves little room for loss, and, in our opinion, does not provide adequate remuneration. We believe that compared to any enterprise of similar

size the margin of profit would seem to be extremely low. The only exception to this statement is that following the Saskatchewan Coal Commission, sitting in 1934 under the chairmanship of Mr. Justice Turgeon, a flat ten per cent wholesale commission on all sales from the lignite field came into being.

Competition comes mainly from fuel oil, off-peak power, gas and wood fuel. It must be admitted that there has never been any co-ordinated effort on the part of those engaged in the distribution of coal to combat the inroads made by these competing fuels.

BY MR. FRAWLEY: The Saskatchewan coal then you don't buy, you sell from the mines on a commission basis?

MR. ANDERSON: Well, we buy, yes, we buy everything, and that price that we sell at includes the commission.

BY MR. FRAWLEY: You say now that "following the Saskatchewan Coal Commission, sitting in 1934 under the chairmanship of Mr. Justice Turgeon, a flat ten per cent wholesale commission on all sales from the lignite field came into being." Once again it is not commission? You buy the coal from M. & S. or Western Dominion or Winnipeg Fuel or whatever it is?

A Yes.

BY COMMISSIONER McLAURIN: The trade may call it a commission, Mr. Frawley.

BY MR. FRAWLEY: I realize that. I am not quarrelling with you, but when you say commission to me that means it belongs to the mine.

BY COMMISSIONER MORRISON: Call it a discount if you like.

BY MR. FRAWLEY: It is not even a discount. You buy the coal, that's all?

MR. ANDERSON: Buy the coal, and the price has the commission set up in it. I mean I don't like the term discount myself.

BY MR. FRAWLEY: You don't like the word commission?

MR. ANDERSON: I like the word commission because I feel that is what we are--commission brokers.

BY MR. FRAWLEY: I understood you bought the coal outright. A broker can't buy coal outright; that has been settled. Let's have it clear on the record. I understood you bought coal and sold the coal?

MR. ANDERSON: That's true, and our selling price has what I call a commission contained therein.

Q Is the difference between the price at which you buy and the price at which you sell to a retailer just exactly that 10 cents laid down by Commissioner Turgeon?

A In the case of Saskatchewan lignite, yes.

Q You just get 10 cents?

A 10 per cent.

Q That is a frozen margin?

A That's right.

Q Wholesaler's margin, wouldn't that be a simple thing to call it?

A That is my understanding, yes. (Continues brief):

In the City of Winnipeg only the central heating plants in the areas where they have been established are able to make the claim of convenience so consistently put forward by the agents of other competing fuels. The advantage of the bin-fed stoker has opened up a new avenue through which the coal trade can develop a field of popularity with consumers who though definitely interested in price are very receptive to any means by which any labour in the heating system can be avoided.

To encourage the use of stokers, much work will have to be done in order to demonstrate the best type of equipment for the burning of western coals by this method and again what mixture of coals will give the best results. In the Winnipeg area there is a substantial importation of American fuel for mixing with Saskatchewan lignite.

BY MR. FRAWLEY: Does Osler, Hammond and Nanton import American coal for that purpose?

MR. ANDERSON: No, we don't import any now. (Continues brief):

This might be avoided if a definite study combined with experimentation were undertaken. We believe that it would be a fair criticism to say that there is room also for improvement in the service rendered the household consumers. Where there are large plants using substantial tonnages, competition within the trade itself enforces good service, but in the case of the householder, too often he receives little or no advice on the type of coal best suited to his equipment or on how to properly maintain his heating plant to secure maximum efficiency. On the other hand, this type of service has been well developed by those handling competing fuels.

Statistics before the Commission will have established that the mines of Western Canada during normal times are capable of meeting the requirements of the area at present served, leaving a substantial surplus for which no present market exists. This situation prevailed prior to the outbreak of war and will be again applicable following a return to peace conditions. Due to this fact, it is inevitable there will be, as there has been in the past, distress coal marketed at any price obtainable with damaging effect on all branches of the industry including mines and consumers, though the latter may have a temporary price advantage, but this can be completely offset by the deterioration in service and a lack of continuity in supply.

It is suggested that the market should be enlarged to the point where the available surplus can be disposed of either through shipments to Ontario, or south of the Canadian border.

All of which is respectfully submitted.

BY MR. FRAWLEY: What is this reference to distress coal?

When was that?

A Well, that is a condition that exists at various times during the year. The mines have coal loaded and rather than unload it it has to be shipped, so it generally moves into Winnipeg. In some cases, not in the last two or three years but prior to that, we used to have the coal in here and we would have to sack it.

Q That is, this went on among the regularly constituted trade channels?

A Yes.

Q Not snow-birding?

A Oh no.

Q Now would you at some appropriate time supplement this brief by filing a statement of your tonnages in the last 10 years on various kinds of coal and the prices which you paid at the mine?

A Including our commission?

Q Yes. Have that properly labelled and branded. And that goes for the coal that you buy, the American coal, as well as the Alberta and Saskatchewan coal. You can take a little time to do it and send it in to the secretary.

A Right, sir.

Q Now, Mr. Anderson, you don't sell any coal that moves under subvention? You did say you sold a little bit in Ontario?

A Yes.

Q What does your excellent organization think about subventions into Ontario?

A We feel that the Ontario market--we are not actually engaged in distribution there, you know.

Q How do you sell it in Ontario, by the way?

A As a matter of fact we only go as far as Dryden. We are not interested in the Ontario market. That is part of Manitoba. We are not interested in the Ontario market.

Q You are not one of those subvention urgers?

BY THE CHAIRMAN: Look at the last of his letter.

A I would say subventions are necessary in order to get any heavy movement of coal into Ontario.

BY THE CHAIRMAN: The only reason that you want to get subventions is to get clear of this surplus coal? What do you mean by surplus coal? That is to take care of the mines' full capacity?

A That's right, sir.

Q As at present?

A Yes.

BY MR. FRAWLEY: Do you sell industrial coal or domestic coal?

A Both.

Q This suggestion of yours, does it extend to endeavoring to get industrial coal into Ontario?

A Yes, I think the assistance will have to be provided if industrial coal is going to move into Ontario.

Q We don't want to get the cart before the horse. Do you think that you should have the subvention that would be necessary to put industrial coal into Ontario?

A What's that?

Q You know that it would take considerable subvention to get industrial coal into Ontario? Let's say western bituminous operators were shooting at the International Nickel account, which is the biggest in Ontario, 50,000 tons a month. How much subvention do you think it would take to let their coal in to compete with the West Virginia coal they had before Nova Scotia took it over?

A Well, I haven't any idea because I am not familiar with their costs. I don't even know what the freight rate is.

Q Well, the laid-in cost is \$52.5 a ton. That is what it has to be to get into the Copper Cliff plant. I am speaking about when Nova Scotia took it over, it was about that.

What do you think about moving industrial coal from the Crows Nest Pass and the Coal Branch or even Souris?

A I am sorry, Mr. Frawley, I can't even express an opinion on it.

Q You have some idea?

A That coal laid down at \$5.25, you would certainly have to have a very heavy subvention and I would say that it would be uneconomic.

Q That is a very frank answer and I value your opinion. It really leaves the domestic coal, doesn't it, as the objective of the western mines as far as Ontario is concerned?

A That seems to be.

BY COMMISSIONER McLAURIN: That's not right. The Crows Nest Pass don't accede to that. They have been selling the paper plant at Dryden and lots of other places, and with a little assistance they regard it as a natural economic market.

BY MR. FRAWLEY: Of course Copper Cliff is a long way from Dryden.

BY COMMISSIONER McLAURIN: I know. You are just taking Copper Cliff and saying they can't compete with that. There is Kapuskasing and Timmins.

MR. ANDERSON: I was dealing with Copper Cliff. I think there is a market for industrial coal in a lot of the plants in Ontario and I think that the coal can be used economically in those plants. I was thinking, in answer to your inquiry, more of Copper Cliff and competing against Nova Scotia coal.

BY MR. FRAWLEY: That is what my question was directed to. Now you want to modify that, in view of what Mr. Justice McLaurin says, there are some points on the fringe in far north-western Ontario which the Crows Nest Pass mine should be able to capture?

A Yes.

Q And in which to enjoy some markets?

A That's right.

Q I don't know what that tonnage would amount to, going into those pulp mills in the north-west part of it. That is sold by the companies themselves, the bituminous mines themselves?

A Yes.

Q I shouldn't be asking you those questions, you don't know what subvention it took to get Crows Nest Pass coal into Kenora and those places?

A No sir.

BY THE CHAIRMAN: I suppose the government had worked out a formula for the various points from west to east or from east to west that would be sufficient to enable western and eastern coal to compete in the Ontario and Quebec markets?

BY MR. FRAWLEY: Whether you could call it a formula or not, they certainly did work out something.

BY THE CHAIRMAN: I suppose they weren't making it too little or too much. It probably was just about sufficient to allow the coals to get in there on a competitive basis?

BY MR. FRAWLEY: Oh yes. What they allowed Nova Scotia coal to get into Copper Cliff was just enough to allow them to get in.

BY THE CHAIRMAN: And I suppose the same thing in the west. Those that took advantage of the subvention just got enough to put them on a competitive basis.

BY MR. FRAWLEY: This technique of yours to guarantee payment and even to prepay freight, that will cost something?

A Yes.

Q Have you reduced that to a cost per ton, the expense of that practice?

A No, we haven't. We merely determine how much coal has to be disposed of in order to maintain the operations at the

mine and then go ahead and do it. There isn't any set charge put up for that. We just regard it as part of our normal operation.

Q It might be possible? It would depend on how minutely your records are kept?

A The cost is obtainable all right.

Q You might see if you could reduce that to a cost per ton.

BY MR. FRAWLEY: Mr. Mowat, Federal Grain Company.

Exhibit 164 - Brief of Federal Grain Limited

MR. J. MOWAT proceeds to read Exhibit 164:

This brief is presented by Federal Grain Limited. Any figures or statements of specific operations refer only to the operations of this Company. However, as requested by the Commission, we have endeavoured to incorporate herein items of historical interest and general information applicable to the coal business and to the coal sheds operated by line grain elevator companies in the Provinces of Manitoba, Saskatchewan and Alberta. We use the term line grain elevator companies to include all companies operating grain elevators not commonly called Pools or Co-operatives.

The business of line grain elevator companies is ordinarily the handling of grain at practically every country point in the three Prairie Provinces. Grain is received direct from the farmer-producer and this grain, to be marketed, is the basic reason why the line elevator is at the station; the coal business of these grain companies is merely a service rendered to their farmer customers and to the farming communities in these districts. We do not know of a single case where an elevator was built as an accommodation for coal customers. The coal shed is usually situate on the railway right-of-way close to the grain elevator and on property leased by the company from the railway.

The members of this Commission are aware of the hardships encountered by the early pioneers in opening up the

Prairie Provinces for settlement. Fuel, a vital necessity for both cooking and heating, was an ever-present problem of paramount importance, and particularly so in the prairie areas that are now the southern portions of Saskatchewan and Alberta where wood was obtainable only in the coulees and along the few watercourses.

The whole grain handling system, of which the coal service is an adjunct, has been built on a basis of permanency and consistency of service to farmers coupled with the assurance to customers of financial reliability and responsibility. There are in the Prairie Provinces some 3800 country line elevators, each of which represents a very substantial investment. Over 1400 of these are equipped with coal sheds, a further investment, and all of these elevator coal sheds pay site rentals to the railways additional to elevator site rentals and contribute substantially in municipal and other taxes towards maintaining schools, roads, police and fire protection and municipal government. The elevator agent, along with his family, is a resident member of the community in which the elevator and coal shed are located. In many cases the elevator agent has been retained at a short crop point in order to maintain this coal service and assure local residents of a convenient fuel supply.

Persons who haul in the odd load of coal when it is profitable for them to do so, usually called "truckers" and persons who ship in the odd car of coal to be sold direct from the car, commonly called "snowbirds" and hereinafter more particularly referred to, have no substantial investment or interest in the community, do not render a permanent service to the farmer, but only take advantage of special conditions to the detriment of the coal business of the line grain elevator companies who are the permanent source of supply for the farming community.

HISTORY

The story of the line grain elevator companies as retail coal dealers is part of the history of the West during the past half century. When the pioneers trekked across the prairies and took up homesteads the fuel supply consisted of wood both for heating and cooking purposes and, where the country was thickly wooded, the pioneer farmer in clearing the land not only made his land workable but also provided himself with a supply of wood sufficient for his requirements for the next few years. Eventually this wood supply became exhausted, more quickly of course in the sparsely wooded areas, and the farmer had to travel further afield and haul his wood long distances over very poor roads or no roads at all. The only mode of transport was the horse and wagon or sleigh so the distances were really very limited judged by today's standards, and due to better trail conditions most of the fuel wood was hauled in the winter, frequently at below zero temperatures. The farmer of those days did not have a grain elevator handy, but hauled his small crop to the nearest settlement and sold his grain to a merchant who might operate a grist mill, or possibly bartered his load for other commodities. As the West became more developed and farming communities more thickly populated the railroads came along and soon flat warehouses and then grain elevators sprang up and became the centres of activity in the districts in which they were situate. At this point we would like to remind you that our Western Canadian railway towns and sidings were originally surveyed for horse and wagon secondary transportation and spaced accordingly.

The grain elevator having direct railroad connection and being in many cases, in the early days, the only link between the farmer and the outside world, the elevator operator was called upon not only to ship the farmer's grain but to act as a general agent for various supplies which the farmer required shipped in. As standing timber for fuel

purposes receded and the hauling longer the elevator operator was asked if he could get in touch with the coal mines and bring in the odd car. Securing from his head office permission to do this and doubtless looking upon it as a venture into the unknown, a car of coal would arrive, the first in the community, and so a coal business was born, in which the grain elevator companies played a leading part.

When the head office of the grain elevator company agreed to ship in the first car of coal they had in mind, not the introduction of another line of business, but the rendering of a service to the farmers who had run out of wood and must have fuel for cooking and warmth. Sidings approximately eight miles apart and having to go to the next town for fuel constituted a real hardship for horse-drawn vehicles.

At the outset it must be pointed out that the coal department of a grain company could not and was not conceived to stand on its own feet financially. It was and still is a Service and accommodation to the grain customers of the Company. The line grain companies coal shed in many districts is still the only consistent source of supply of coal in the district, where coal is carried in sufficient quantities to meet local requirements and to be on hand for local emergencies, such as blizzards or bad storms blocking highways and railways. Trips to the large centres in many cases meant an overnight stay with horses, while the round trip to the grain elevator, grain in and coal back, could be made in one day. This was a great convenience to line grain company customers.

BY MR. FRAWLEY: Does this mean that the coal department of your company is operated at a loss?

MR. MOWAT: No, I didn't say at a loss. I said in the early days.

BY MR. FRAWLEY: "It was not conceived to stand on its own feet financially. It was and still is a service and accommodation," and so on. I just asked you, it is not being carried on at a loss?

BY COMMISSIONER MORRISON: People can give service and accommodation at a profit.

BY COMMISSIONER McLAURIN: He will probably tell us about that as he goes along. (Mr. Mowat continues brief):

At 431 points in the Prairie Provinces the line grain elevator company is the only coal dealer and the only means of supply. The selling price of the coal handled is based on figures estimated at cost and sufficient margin to keep the coal department of the line grain company just on the right side of the ledger.

It would be safe to say that the selling margin on coal at country points is less today than it was fifteen or twenty years ago, and when we say "margin" we do not mean that a dollar today is not worth as much as it was at that period, but that where a grain company would be working on a gross margin from the coal shed of \$1.25 a ton, the margin is now in many cases \$1.00 per ton. This is due to a number of reasons, among them, the depression during the nineteen-thirties, when there was so much relief coal sold at an established margin of \$1.00, this being judged by the Saskatchewan Government as a fair and equitable allowance on government relief sales. This created a selling price that has changed only when the mine price of coal was changed, the margin to the grain company remaining the same at many stations.

Owing to coal having to be transported by rail and to keep handling down to a minimum, coal sheds were erected near the grain elevators on sites leased from the railways. Here weighing facilities could be secured at very little additional expense due to the scales installed for the purpose of handling grain.

You are no doubt aware that the handling of grain is seasonable. This means that an elevator agent, being on full-time employment, has time at his disposal to look after the

receiving of coal and the retailing of same during the winter season. At some points two or more elevators were built and another grain company would enter the field as a retail coal dealer, not for the purpose of competing as a coal dealer, but to serve its own grain customers. That point can be stressed. The coal department of a grain company if charged with all expenses attached to its operation would hardly be on the right side of the ledger.

BY MR. FRAWLEY: Does that mean that at some of those points where there are many elevators, like at Vulcan--I think there used to be as many as 10 elevators there--would there be 10 coal dealers?

MR. MOWAT: No, there would not.

Q How was that worked out?

A I assume--I am not familiar with Vulcan--but there might be two or three coal dealers.

Q And the other six or seven would stay out of the coal business?

A Yes. Q And that was done because it didn't seem sensible for all of them to go into the coal business and they rationalized it and just two or three of the elevators went into the coal business?

BY COMMISSIONER McLaurin: But there are lots of places where there are only two elevators and you have two coal dealers?

MR. MOWAT: There are lots of places where you get three or four elevators and one coal shed.

BY COMMISSIONER MORRISON: After all, the line elevators serve their own interest in giving service to farmers.

MR. MOWAT: It has never been their custom to overbuild a place with coal sheds when the service was not required.

BY COMMISSIONER MORRISON: The whole motto of line grain elevators has been Service to Farmers?

A Service to the community in which they are located.

BY MR. FRAWLEY: Following what Mr. Justice McLaurin said, it

may very well be, is it a fact that you have a coal department to bring more patronage to your grain department?

A Well, I wouldn't answer that. If you are in a community the grain company has got the facilities to handle the coal business, whereas you take an independent dealer at some of those isolated points, it wouldn't pay him to go into it.

Q Perhaps we can't press this too far. Suppose you had a point where there are two elevators and one of them had a coal department. I would think perhaps the elevator with the coal department would enjoy perhaps a little better business than the other fellow?

A I wouldn't say that he would.

BY COMMISSIONER McLAURIN: Oh no. The other elevator man may be a better buyer of grain. He gets all the grain and the other fellow sells the coal.

BY MR. FRAWLEY: Other things being equal, wouldn't the fellow who had coal to sell get the bulk of the patronage?

A I wouldn't say he would. You might have a straight, honest man selling coal; he might be a poor grain man.

BY COMMISSIONER MORRISON: And then there might be a coal dealer in the community who was not a grain man at all.

BY MR. FRAWLEY: I would think that it might lead to a certain amount of duplication, because if you had a coal department at your elevator I would probably want one at my elevator.

A Well, you couldn't stop it.

Q Competition like that is not good for any business?

A Well, competition is the life of trade, yet. (Continues brief):

At many country points in addition to grain companies handling coal there may be a lumber company or an independent dealer, but at 431 points the line grain elevator company is the only source of supply. The grain company in innumerable cases supplies, upon credit, farmers with coal in good and

bad crop years, in the former case waiting until the crop is marketed and in the latter just waiting. It would be safe to say that in practically every village in Western Canada where there is a lumber yard or other coal dealer there is also a grain elevator but there are, as mentioned, many sidings where there is only a grain elevator handling coal.

Since the first car of coal was shipped by a grain company the West has seen many periods of good and bad times but the grain companies selling coal have in the main always remained in business and have been willing to shoulder their share of the hard luck of their farmer customers by supplying coal where and when it was required.

During the relief years in Saskatchewan the grain companies with their organization and understanding of the country's problems rendered unexcelled service both to the public and the government and looking back over the years they can feel a justified pride in their achievements. Much distress and suffering has been alleviated or dispelled by the convenience and security of having fuel available in nearby line grain company coal sheds.

At present the grain companies as retail coal dealers are again using their organizing facilities for the purpose of distributing equitably an insufficient supply of coal to the peoples of the three Prairie Provinces, and while every other commodity they use has risen in price or decreased in value during the war years, the country coal dealer has not been given permission to raise his working margin despite a much increased cost of operation.

In the early days there were shipments of American coal made to the Prairie Provinces on a small scale but with the opening of coal fields in the Lethbridge area of Alberta around the year 1881 and at Drumheller in 1911 American shipments decreased in volume and were gradually eliminated altogether from Saskatchewan and Alberta. The more recent lignite

fields in Saskatchewan have also played a large part in supplying fuel to the prairies.

The fuel business handled by Federal Grain Limited and its subsidiaries extends from the International border in the south to the Peace River in the north and from Winnipeg in the east to the foothills of the Rockies in the west.

Our Company operates 311 coal sheds (90 of which are at points where we alone furnish this service) spread over the territory mentioned and in our opinion perform a very useful service to each of the communities in which we are located.

To point out to you what we mean by using the word "service" we must take into consideration the necessity of having sheds available in which to store coal. This is necessary for the protection of the fuel against the winters which are typical of this western part of our Dominion. Loose coal stored in the open alongside a railway track is a fire hazard and is subject to rapid deterioration and perhaps theft. A further service consists of the adequate weighing facilities at the Company's adjacent grain elevator which insure the buying public getting the actual weight they pay for. Of no less importance is the fact that a man, the grain elevator operator, is on duty at all times to attend to the requirements of the neighboring farming community. A supply of fuel safely stored, with an agent equipped with a scale annually inspected by the Government, assures even an isolated community of continuity of service.

You will readily note from the area over which our coal sheds extend that the opening up of new territories has been one of the main reasons for the large number of coal sheds which we now operate.

During the early part of this century and even as late as 1923-25 coal was required for certain threshing engines and the grain companies performed a very valuable service for their farmer customers by shipping in coal in car lots and

having it available for the farmer when threshing operations were in full swing. The grain company purchased the coal in advance, stored it and supplied it to the farmer when he required it, not receiving payment until the grain had been threshed and hauled to the elevator. The company continues this service by carrying stocks of coal from which farmers can frequently secure their supply of fuel when required without the necessity of their paying for same until they are in a position to do so out of their grain delivered to the grain elevator.

During the years 1930 to 1938 when crop conditions in the three Prairie Provinces were at their lowest ebb owing to the drought, the bulk of coal handled in many areas was on a relief basis. For example, in the Province of Saskatchewan our Company had to deliver coal, on a relief basis, at about 90 per cent of our coal points. Payment of these coal accounts by the Relief Commission was delayed as long as six months at a time whereas our accounts for coal to the mines had to be paid within 30 days. In performing this service every consideration was given to see that a high grade of fuel was supplied to these relief recipients. Further, the margin on the sale of such coal was set by the Relief Commission at \$1.00 per ton gross over actual laid down cost. This meant that all other sales had to be made at the same low gross margin. This low margin continues to a large extent at the present time.

At some points not much more than one or two car lots of coal are required to supply the needs of the district for the full year. In cases such as these coal has to be carried by the grain company in stock for a considerable time, resulting in loss through deterioration and depreciation. This service could not be given in such areas were it not undertaken by the grain company as a sideline to its grain elevator business.

TYPE OF COAL

Dealing with the type of coal shipped into the different rural areas, one of our first considerations is the type and standard of coal required, the preparation of this coal and the purpose for which it is suitable, also the shortest freight haul.

The Company by careful attention to these considerations makes it possible for the farmers in the different rural areas to secure the best product at the lowest price. Many of our Western coals slack quickly. Farmers seldom have protected coal bins and with coal available at the line grain elevator coal shed at the nearby siding it is not necessary for the farmer to store coal in large quantities and the slacking is checked by the storage in the coal shed.

SOURCE OF SUPPLY

All the coal used is mined in the coal fields of the Provinces of Saskatchewan, Alberta and British Columbia. The main fields from which the necessary requirements of domestic coal are obtained are the sub-bituminous mines at Drumheller and Lethbridge, Alberta, and the lignite mines at Estevan, Saskatchewan. There is also a certain tonnage purchased from the sub-bituminous mines at Coalspur and Saunders, Alberta.

MR. MOWAT: I would like to add there, Edmonton, Alberta, also. We handle quite a tonnage from there.

BY THE CHAIRMAN: Have you gone into the question of supply from British Columbia to your company after the war, that is, the possibility of supply from British Columbia?

MR. MOWAT: We have not gone into that.

BY MR. FRAWLEY: What British Columbia coal do you distribute now?

MR. MOWAT: Crows Nest, we require for industrial use.

(Continues brief):

The bulk of coal required for industrial use is secured

from the steam mines at Blairmore, Alberta and the Michel mine at Crows Nest, British Columbia.

Our volume of business amounts to about 95% domestic and 5% industrial.

BY THE CHAIRMAN: What industrial areas do you serve?

MR. MOWAT: Well, the schools require coal, steam coal, may require a carload of steam coal, and hospitals; such like as that. (Continues brief):

PRE-WAR ERA

A period of depression swept over the Western Provinces during the years 1931 to 1939. During that particular period sales of some retail dealers and of our own Company dropped to as low as 50% of those of years previous to 1931. During this period the retail coal dealers of Alberta and Saskatchewan, including this Company and other grain companies, were subjected to many forms of competition which were vicious and unfair. This included what was known as "snowbirding", that is, shipments of coal were made direct by the mines to individuals who were not regular retail dealers in coal but people who only engaged in the coal business for an odd month or two during the winter. They had no operating costs, no storage facilities, scales or office equipment; they paid no taxes of any kind, provincial or otherwise, although the regular dealer engaged in the business twelve months in the year had all these costs to pay, but the snowbirder sold the coal so obtained in competition with the grain companies who were the permanent standby of the farmer for his regular supply of coal.

BY THE CHAIRMAN: Aren't you making quite a large statement there when you say that no snowbirder pays taxes?

MR. MOWAT: I mean by that, he hasn't got coal sheds.

Q You make the further statement that they pay no taxes?

A Well, they don't pay taxes on the coal.

Q Why didn't you say so?

A Well, I am referring to coal in my statement.

Q It is kind of unfair, you know, to attack these people who are not here to look after themselves. Of course we know what snowbirds are but I think it is kind of an unfair attack to make on them.

A Well, I am only referring to the coal business.

Q Perhaps they are there for the same reason you went into the business--for service?

A They are only there in fair weather.

Q Haven't they got the right, is there any law in this country prohibiting a man from getting a car of coal and selling it, even if he makes a little profit on it? Is there anything against that, as to morals or law?

A Well, my answer to that would be unfair competition.

Q I don't see anything unfair about it at all.

A And I think if you go back to the--I forget the section of the Railway Act--they are not supposed to sell that coal off cars; they are supposed to have equipment to sell it from.

Q Why don't you attack them that way instead of coming to this Commission to put them out of business? The whole thing in this country, the man who is established in the coal business doesn't want any competition; he wants to have the whole thing for himself.

A No, I wouldn't answer in that sense. I would not be opposed to any fair competition.

Q What is unfair about it?

A He doesn't have his necessary equipment and take his share in the community.

Q He has a truck?

A Yes.

Q He has equipment but he is not as well equipped as you are?

A No, but he is not equipped to protect the community the year around.

Q I don't see anything unfair about that.

A I wouldn't consider it fair. If there was no other dealer there but himself he is not there then to protect them when the weather is against him.

Q All right.

MR. MOWAT continues brief:

In addition to this snowbirding there was a heavy truck competition, that is, individuals with trucks would go direct to a mining area, load up with coal and bring it back to points where regular dealers were operating a legitimate business, and sell the coal direct to the farmers in the locality. These truck operators, like the snowbirders, had no permanent supply, were at no expense for a permanent plant and only operated when the roads and weather were favourable.

MR. MOWAT: With your permission, Mr. Commissioner, I would ask that our next paragraph be struck out, because we find after investigation it is of no particular value as far as this brief is concerned.

BY MR. FRAWLEY: Well, it can be taken out, I suppose.

MR. MOWAT continues brief:

We would point out that in the areas adjacent to the mines in southern Saskatchewan during fair weather when the roads were open coal has been known to be trucked from Roche Percee, Taylorton and Bienfait, where the lignite mines are located, as far north as the Arcola Line, a distance of from 75 to 100 miles from the mines.

This situation became so bad that the railways realized they were losing a large revenue due primarily to trucked coal, and in 1933 the freight traffic managers of the Canadian National and Canadian Pacific western lines called a meeting of retail dealers and mine operators in Calgary and Winnipeg and special areas were allocated, known as "trucking areas", and low tariffs were put into effect for these areas, the retail dealers agreeing to special low selling prices and the mine operators to low prices in such areas.

This action further reduced the dealer's margin of profit, over actual costs, to at some points as low as 50¢ to 75¢ a ton gross and this gross margin is still in effect at some points in Alberta and Saskatchewan.

W.A.R. ERA

Canada entered the war at a time when our Company and other grain elevator companies were operating their coal businesses at a very low margin of profit over laid down costs.

The advent of the war soon made itself felt in the coal industry as it did in other lines of business and as the grain companies serve many thousands of customers over the Prairie Provinces they were vitally affected and had to adjust their operations to meet the new conditions.

The change from peace time to war time conditions commenced in the winter of 1940 when skilled miners in small numbers at first, but gradually increasing, joined the armed forces or took up some other class of work which promised higher wages and permanency, at least until the war ended. This exodus from the mines continued unabated during the succeeding years until the number of young men at the mines comprised a very small percentage of the total employed, and that is the situation today.

This state of affairs naturally affected production and there existed almost a state of chaos during the winters of 1941 to 1944 when the labour shortage was perhaps at its worst and the mines were doing their utmost to fill the thousands of orders placed by retail dealers.

The line yard companies being an organized body developed and presented to the Drumheller and Lethbridge operators in the fall of 1942 a system of roganzied and equitable shipping of coal as far as the grain companies were concerned. This prevented a glut of coal in one spot and a shortage in another and all of the companies agreed to a percentage of shipments from each mine based on shipments from that particular mine for the season 1941-1942. The year is immaterial,

but it is the idea of systematizing the shipments we wish to stress.

This was a service both to the mines and the people of the provinces as a fairly regular flow of coal was maintained.

BY MR. FRAWLEY: Was that submission to the Drumheller and Lethbridge operators made in memorandum form?

MR. MOWAT: We agreed as a body, the grain company coal departments, and we went out there to the mines to tell them how we wished our shipments. One of our main reasons was to ---

BY THE CHAIRMAN: He is not asking you that. He is asking you if this arrangement was in writing?

BY MR. FRAWLEY: We might supplement our files if it is in writing.

MR. MOWAT: No, it is not in writing. (Continues brief):

One of the biggest problems the mine operator has had to face during the war years has been and is the matter of keeping the miners at work all the year round, thereby maintaining and holding a more or less permanent force, and here the grain companies assumed a full share of solving this problem by continuing to order and ship coal 12 months in the year, which means carrying large stocks during the spring and summer months often at a serious loss, due to deterioration of the coal, and a large investment tied up for possibly three months or more.

BY MR. FRAWLEY: Now that statement struck me when I first read it. Why do you do that? Why are you taking this serious loss by this advance buying?

MR. MOWAT: Well, we are trying to help out in this war period to keep coal moving early, and try to persuade the customers to take coal early.

Q Are you doing that under the direction of Coal Control?

A We are assisting to keep coal moving.

Q Does the idea stem from Coal Control?

A Yes, we are assisting the Coal Controller to keep coal moving.

Q Has anybody in Coal Control asked you to do this--Mr.

Brunning, Mr. Neate?

A Yes, they have. (Continues brief):

The war has caused the building of airports and other military institutions in parts of the prairies which hitherto had known nothing else but farming and the grain company has in numerous cases filled the bill as distributor of fuel for such institutions which has meant a tremendous amount of work and organizing to keep shipments rolling, but this has been considered a vital war service and has often placed a great strain on the elevator agent through whom the shipments would pass and who would be directly responsible for seeing that the coal was delivered as required.

We do not think there is any other body of retail coal dealers which has tried to make itself so much a part of the war effort as have the grain companies handling coal. They have assisted the mine operator, municipal officials, co-operated with the Fuel Controller, worked late hours trying to find ways and means to keep the coal moving and evenly distributed, but they have not been allowed to increase their selling margin despite the increased cost of everything used in the handling of coal, including labour. Selling prices were frozen as at September-October 1941, and have changed only with and at the same figure as the mine prices have changed. The selling margin is the same.

COMPETITION

The coal business in the farming communities of the Prairie Provinces may fairly be described as fully competitive. In addition to the various grain elevator companies with coal sheds - over 1400 in number - there are at a good many points lumber yards and at others independent dealers and co-operatives handling coal.

As has already been pointed out there was in the pre-war era a very unfair competition from truckers and snowbirds - a class of competition which may unfortunately thrust itself

forward in the post-war era. Competition which has no merit, does not encourage stability or regularity of output, is inimical to regular work and organized labour, unsettling to regular mine wage earners and of no benefit to the farmer, in fact it is a detriment to the farmer as it discourages the efforts of the line grain elevators to maintain a regular all-the-year-round supply and service.

POST-WAR ERA.

Everything is supposed to be better after the war. There is room for improvement in a good many lines of endeavour and we can include the coal industry. Speaking as a grain company we are interested mostly in securing a regular supply of good quality, well prepared coals for our country points, but having come in contact through the years with the men who supply the coal we have learned something of their problems and cannot assume an attitude of indifference as we are always looking for good service and perhaps should assist in bringing it about.

In our opinion the coal industry, and here we are referring to the mining of coal principally, does not occupy the place in the sun it deserves. It does not by any means stand as high in national affairs in this country as do the coal mining industries of the United States and Great Britain in their respective countries. This is possibly due to Canada being a large country with a small population and with the coal fields being far from the large industrial areas and the larger cities. Look at the map and see the location of the coal mines of Canada. There are mines in Nova Scotia, Southern Saskatchewan, the Western fringe of Alberta from North to South and smaller mines in British Columbia, all hundreds of miles from each other and hundreds of miles from a large city. How far is it from Nova Scotia to Estevan, Sask.? - perhaps 2,500 miles and not a coal mine in between.

BY MR. FRAWLEY: Except Minto, if you put that in.

MR. MOWAT continues brief:

It is then some hundreds of miles to Drumheller and Lethbridge, Alta., with nothing between. The people of Canada are not coal mine conscious. Ask some Winnipeg men where Drumheller is or ask them where Souris coal comes from and they cannot tell you. How can an industry in any country be great if the people do not know of its existence? There should be much more publicity given to this all-important industry.

The meaning of coal and what it means to the people of Canada will have to be brought to the people and this will have to be done by those who produce the coal and by no one else.

The best policy for any line of business is to have it brought before the public in its entirety and the coal business will have to be brought right down from the mines to every city and town in Canada.

As coal once more becomes plentiful consumers will be inclined to revert to their former practice of deferring their purchases of coal until the advent of cold weather in the fall and winter, leaving the mines idle during the spring and summer. Experience has taught us that to be assured of an adequate supply of coal the mining of coal must be a year-round job.

Perhaps as a result of further research some means can be found of processing the coal to improve its storing qualities and avoid the degradation which occurs when the coal in its present raw state is stored for long periods.

As an example the briquetting of coal produces a fuel which will store, which retail dealers and consumers do not hesitate to purchase in off periods knowing that no appreciable loss will be sustained.

If retail dealers could operate on a twelve months basis instead of seasonal, it would create a more stable industry and be of great benefit to miners, operators and retail dealers.

The line grain elevator companies, through their coal sheds, will continue to render to the farming communities the valuable services which they have rendered in the past but to do this they must not be hampered by unfair competition. This can to some extent be prevented by continuing "trucking areas" and by co-operation between the mine operator, the railway companies and the retail dealer, including the line grain elevator companies. The farmer could also assist his fellow-workman, the coal miner, and the permanent source of supply, the regular coal dealer such as the line grain elevator company, by dealing only with the legitimate retail dealer and by not being led into buying from the trucker or snowbird.

Co-operation between those permanently concerned in coal - the mines, the railways, the retail dealer and the consumer - should help to solve the problem.

IN CONCLUSION, we have tried to be as explicit as possible in this brief which we are presenting at your request and trust it will convey to you the part the line grain elevator company plays in the distribution of coal in the three Western Provinces.

BY THE CHAIRMAN: Just one question: What connection has your

Company got, either directly or indirectly, with the Occidental Coal Limited?

A We are a shareholder of the Occidental Coal Limited.

Q You are not a subsidiary?

A No, we are not a subsidiary.

Q Does Occidental own any of your stock?

A They do not.

Q You own stock in the Occidental?

A Yes.

BY MR. FRAWLEY: Will you just briefly explain the relationship between ~~F~~ederal Grain Limited and Occidental Coal Ltd.? Just tell us about it, how it began.

A I don't think I can speak for Occidental Coal Limited. .
You have a brief from them. I can speak for Federal Grain only. I buy a certain amount of coal from the Occidental Coal Ltd.

Q Occidental Coal Limited--and we will be hearing from them in a minute--are in the business of wholesaling coal and you buy some coal from them?

A Yes.

Q What percentage?

A About 42% of our requirements.

Q And what is the financial relationship between your company and Occidental? Do you buy it outright?

A The same as I buy from any other company.

Q And then sell it at retail to the consumer?

A Yes.

Q Then the other percentage that you buy you buy where?

A I buy from the mines and wholesalers.

Q Like Osler, Hammond and Nanton?

A Yes.

BY THE CHAIRMAN: What percentage do you buy from the mines?

A Mines and wholesalers?

Q I am talking about mines.

A I have never broken that down. I would say off-hand about 30%.

Q 30 and 42 from the Occidental, the balance from other wholesalers?

A Yes.

BY MR. FRAWLEY: Now you had better perhaps, you said off-hand--are you satisfied to leave that on the record that way or would you be more satisfied if you checked it and gave us a supplementary memorandum?

A I think that is fair enough.

Q You would rather that--what is the gentleman's name that is going to speak about Occidental?

BY COMMISSIONER McLAURIN: Oh yes, let's hear about Occidental from Occidental.

BY MR. FRAWLEY: Now does Federal Grain have any control at all of any mines?

A We do not.

Q Simply buy like anyone else?

A Yes.

Q Do you sell briquettes?

A Yes.

Q How do you find them?

A Very well.

Q What briquettes do you sell?

A We sell Canmore briquettes and Heat-Glow briquettes.

Q About how much briquettes do you sell?

A Heat-Glow, I sell all I can get.

Q How much more could you sell?

A Twice the tonnage of Heat-Glow briquettes.

Q Can you sell any more Canmore than you are getting now?

A I could sell more than I am selling now, any briquettes.

Q You sell them more in the west?

A I sell them in Manitoba also.

Q You have an office in Calgary?

A Yes.

Q Do you sell to country co-ops?

A No, we just retail, don't wholesale.

Q I have only got one more question, on the question of snowbirding. Have you ever taken it up with the municipal authorities, that those people could be controlled by licensing?

A We have tried that but we have never got very much satisfaction.

Q You know, Mr. Mowat, that all through Western Canada there is a protest on behalf of organized trade against those intermittent dealers, whether they are pedlars with packs

on their backs or snowbirds, and there is in all the municipal laws of Western Canada provisions to deal with those people and require them to take out licenses. You know that?

A There are licenses at certain points and taxes at other points.

Q Even in rural municipalities there is provision for taxing these intermittent dealers of one kind or another?

A They don't put that into effect.

BY THE CHAIRMAN: The fortunate point is they are able to pay for their licenses or their tax.

BY MR. FRAWLEY: Do you find that they do take out licenses in lots of cases?

A I can't answer that.

Q You don't know any case in which they do?

A No.

BY THE CHAIRMAN: Does he know of any cases in which they do not where they are required to do so?

BY MR. FRAWLEY: Do you know of any places where they do not take out licenses, any places where there is a license by-law?

A I won't quote any specific case. I know they are not licensed. My agent would report they are not licensed.

BY THE CHAIRMAN: You can't give us the name of one man who is under obligation to take out a licence to ~~by~~ his trade who has not done so, of your own knowledge?

A I will say I can't give you the name, but I ---

Q That's all I asked you.

BY MR. FRAWLEY: Now, Mr. Mowat, will you please prepare for the secretary a memorandum showing your tonnages from 1934 to 1944 broken down into various classes of coal and also your build-up, showing mine price ---

A Tonnage broken up into classes of coal? What do you mean by that?

Q Well, briquettes, industrial coal, domestic coal.

A Industrial coal is a very small percentage. That is quite a problem to pick that out from our coal sales.

Q I know, but we have to have some idea of how your business is doing. We don't like to go to the expense of sending in an accountant of our own, which we can do if we have to, so will you kindly prepare something for us to show, just as I have asked Mr. Anderson, your mine price--what you pay at the mine--your wholesale price when you buy from Occidental and from other wholesalers, and the build-up and show us your tonnage, and then if that leads to some further questions we will ask for them.

MR. R. C. WEAGENT takes the stand, and submits:

Exhibit No. 165 - Submission of the Occidental
Coal Limited.

BY MR. FRAWLEY - Mr. Weagent, you are the Manager of Occidental Coal Limited?

A. Yes.

Q. Will you just put your submission on the record then.

MR. WEAGENT then reads Exhibit 165, as follows:

The farming districts and small communities in the Prairie Provinces have for many years past relied upon coal for their domestic requirements, wood not being available in many of these districts. In the early days the quantity of coal required in any one locality was comparatively small, but as the years progressed and the population of the Prairies, and consequently the demand for coal, increased, the troubles and problems of the retail dealer multiplied. As more and more mines were brought into production, a constantly increasing variety of brands, kinds and types of fuel were offered, and conditions with respect to arranging for the supply and shipment of the coal with which to service the needs of the numerous farming communities finally developed into a most unsatisfactory state as far as the retailers of coal were concerned.

Each individual retailer had to establish contact with numerous mines and mining fields in order to obtain suitable sizes and preparations and the necessary tonnages of the various types and qualities of coal required or desired by their customers for different heating purposes and a variety of burning equipment, ranging from small cook stoves and chicken brooders to the larger types of heaters and furnaces, and in some cases automatic stoking equipment of different kinds requiring suitable grades and preparations. As is well known, there is a wide range of fuels produced in Western Canada, from the lignite coals mined in large volume in Saskatchewan, through the various kinds and ranks of Sub-bituminous and Bituminous coals of Alberta and British Columbia, up to Semi-anthracite

produced in the Foothills of the Rocky Mountains, together with different types of briquettes and some varieties of Coke.

BY COMMISSIONER MORRISON - What is the name of that Semi-anthracite?

A. Canmore I was thinking of. It is the only one I happen to know of. I understand the Hy-Grade has some but it is not developed yet.

BY MR. FRAWLEY - You know in the new classification that has all gone out. It is all called low volatile bituminous.

A. I checked up my most recent list from the Government, on the back of which they gave a list of all kinds and ranks, and I thought I saw a Semi-anthracite there. I withdraw it if I am wrong.

Q. I see that Cascade, that is Canmore, is classed as both Semi-anthracite and low volatile bituminous. It is under both classifications.

MR. WEAGENT continues brief.

Each retailer was being called on or otherwise contacted by numerous mine representatives and coal salesmen, who were very aggressive when the supply of their particular brand of coal was plentiful, but were at times conspicuously absent when the supply was short.

Claims and counter-claims with respect to the quantity and merits of different types and brands of fuel were misleading and confusing, making it difficult for the individual buyers to assess true and comparative values.

BY COMMISSIONER MORRISON - What do you mean by that statement?

A. Well I have been up against that myself. If you listen only to the mine representative or operator that is talking to you.

Q. The representative of the mine and the wholesale house both. Who are you making the charge against?

A. Whoever is selling the coal.

Q. You think they are all prone to mislead and confuse?

A. Emphasizing the quality of their own coal.

Q. But you say they are misleading and confusing. You are making a blank charge against those who go out selling coal, and I am just wondering if they are the representatives of the wholesalers or of the mines themselves, and I know a lot of the men who head these companies who would feel very badly if they thought for a moment their representatives were going out on the road and being misleading and confusing.

BY COMMISSIONER McLAURIN - Puffery, that's what it is. It is a legitimate thing but it can be very misleading.

A. Maybe misleading is a little strong.

BY COMMISSIONER MORRISON - I am not finding fault with your language. Just interested to know where it came from.

A. Well you hear from two different operators in the same field, and after listening to the first one you are pretty well convinced that he has the best, and after you listen to the next one, you may think he has exaggerated.

Q. A pretty good argument you are putting up, I think.

BY MR. FRAWLEY - Of course to be perfectly precise, you have not to take what the salesman says about his coal, as far as Alberta coal is concerned.

A. I am talking of a dealer that has not the means perhaps of delving into these things.

Q. Have you used the work done by Mr. Standfield of the University of Alberta?

A. Yes.

Q. To get what all these coals are?

A. Yes, I have a paragraph on that later in the brief.

MR. WEAGANT continues brief.

Competition among mines and between coal fields producing different types of fuel led to chaotic conditions, and the practice of maintaining salesmen to represent individual or small groups of mines must have constituted an item of overhead hardly contemplated when selling costs were originally estimated. It seems only reasonable to assume that these practices must have forced operators to cut their production

costs to the limit, and were no doubt a contributing factor in depressing wages and aggravating generally the depressed conditions which prevailed in the pre-war period.

Owing to these conditions the need was urgently felt for a Wholesale distributing agency which would assist in the more orderly marketing and distribution of coal at more stable and equitable prices and with a minimum of expense.

In the Spring of 1936, a group of dealers who were engaged in the coal business, with the object of giving this service and the other services hereinafter mentioned, acquired Occidental Fuel Co. Ltd., a Wholesale Coal Company which had been operating for some years, changing the name to Occidental Coal Limited.

BY COMMISSIONER MORRISON - You can supply us with a tabulated group that you refer to in the Spring of 1936?

A. I have a list here of the present shareholders. I don't want to put it into the public record.

BY MR. FRAWLEY - Do I gather that originally it was not a grain trade subsidiary in 1936? "A group of dealers engaged in the coal business".

A. It was a group of grain dealers.

Q. A number of the grain departments of some of the Elevator Companies?

A. Yes.

Q. And you say you now have a list of the shareholders?

A. Yes.

BY COMMISSIONER MORRISON - Is that the same group that you refer to that met in the Spring of 1936?

A. Yes, substantially.

Q. Substantially the same people that gathered there?

A. Yes.

BY COMMISSIONER McLAURIN - The shareholders are of the grain companies?

A. They are not all here.

Q. You say the information is confidential. Anybody can get it by paying two-bits.

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R. C. Weagant

A. Well I don't think it is very serious.

Q. It is the line grain men?

A. Yes.

Q. Not all of them?

A. No.

BY MR. FRAWLEY - I am suggesting not all of them. United Grain Growers is not here?

A. No.

Q. And they carry on a coal business?

A. Yes.

BY COMMISSIONER MORRISON - The Manitoba Wheat Pool or the Alberta Wheat Pool are not there?

A. No.

BY MR. FRAWLEY - Do the Wheat Pools sell coal?

A. No, I don't believe. Of course it is only the grain companies which handle coal.

Q. Have you all of them?

A. No.

Q. About what percent of the grain companies that handle coal?

A. Most of them except the United. I only know of one other very small one.

Q. Does the United Grain Growers belong to the grain trade in every other way except in respect to coal?

A. I would rather not answer about the grain trade.

MR. WEAGANT continues brief.

Occidental Company Limited makes arrangements with various Mine Operators in the different coal fields to act as their Wholesale representative in the sale and distribution of their coal, and continuous contact is maintained between the mines and the different retail dealers, and a substantial volume of orders, on which the sales cost is definitely known, are secured.

BY COMMISSIONER MORRISON - May I ask you at that point, do you wholesale coal to other dealers other than these shareholders?

A. Oh it is so limited, I would say practically none. There is nothing to prevent us doing it, but we are not doing it at the present time.

BY MR. FRAWLEY - You don't refuse anybody, if anyone wanted some coal you would sell to him?

A. If the credit was good we would be glad to.

Q. If the credit was good you would sell?

A. Exactly.

MR. WEAGANT continues brief

About 95% of our total sales are for domestic heating purposes. Most of this coal is shipped, on instructions from retail dealers, to country points in the three Prairie Provinces where they operate coal sheds and maintain stocks of coal for the convenience of local communities and surrounding farming districts. A smaller portion goes to some of the cities and larger towns.

BY MR. FRAWLEY - In the Cities now it would be sold as well through the elevators?

A. Yes.

MR. WEAGANT continues brief

The remaining 5% of our sales are chiefly for industrial uses, and for contracts made by different retail dealers with the Department of Munitions and Supply, and with the Dominion and Provincial Governments for public buildings and institutions.

BY MR. FRAWLEY - When the Provincial Government calls for tenders for coal, would the Occidental bid on that kind of business?

A. No, the retailers bid on that.

Q. The retailers bid?

A. We sell the retailers coal, and they bid.

Q. Does the Manitoba Government buy coal from the retailers for that?

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R. C. Weagant

A. I don't know about buildings such as this, but Institutions in the smaller towns where the grain companies are operating with the coal dealers.

Q. But the retailer will be virtually giving them a wholesale price say for three or four cars?

A. I don't know what price they give them.

BY COMMISSIONER MORRISON - The retailer is just doing a service?

A. I won't speak for the retailer.

BY MR. FRAWLEY - Anyway, you don't bid on any of this public business?

A. No, we don't do that at all.

MR. WEAGANT continues brief

Of the Domestic coal, the greater portion of the tonnage sold by us is taken from the domestic mines in the Drumheller and Lethbridge fields in Alberta, and the Souris field in Saskatchewan.

During the past nine years, our sales have increased by more than 100,000 tons.

As sales are made to retail dealers, the orders are assembled by Occidental Coal Limited, and are forwarded daily to the mines, by mail or telegraph as may be necessary or expedient. This saves considerable duplication of effort, not only for the relief dealer but for the Mine Operator as well.

Occidental Coal Limited has established a system of prepaying freight with both Railway Companies. Arrangements are made to have the freight prepaid on all shipments, relieving the mines and retail dealers of all responsibility in this respect. During periods of heavy movement, monthly freight payments run as high as \$120,000.00. This saves our retailers the extra expense and inconvenience of the payment of a multitude of individual freight accounts on shipments which were formerly billed collect, and had to be paid at destination. We believe that the present system of prepaid freight has also proved highly satisfactory to the Railways.

BY MR. FRAWLEY - I would certainly agree with that.

A. They get their money with great regularity.

MR. WEAGANT continues brief

The responsibility for the collection of all accounts for coal and freight is undertaken by this Company. Regular remittances are made to the mines on a monthly or semi-monthly basis as may be required. The mines do not assume any credit risk on sales made by us, and every mine has received payment in full for every pound of coal sold by this Company.

BY COMMISSIONER MORRISON - Now you are not taking too much credit for that when your list of customers are these influential companies. You certainly are not trying to tell this Commission that you are assuming a credit risk? There is no credit risk involved in doing business with your clientele surely?

A. I don't think I said that. I said "The responsibility for the collection of all accounts of coal and freight is undertaken by this Company.

Q. You have supplied the answer. You infer that the mines might otherwise suffer some loss, if you assume the risk with a list like this.

A. Prompt and sure payment to the Mine Operator.

Q. Occidental would not be any better than any of these on here surely?

A. I could not say they were without reflecting on their standing.

MR. WEAGANT continues brief

Payments are forwarded with unfailing regularity, in fact we have been told by several operators on different occasions that they depend upon the arrival of our cheques to enable them to meet their payrolls.

The growing use and popularity of automatic stoking equipment has created a problem in arranging supplies of suitable types of fuel. Stoker installations at country points are not numerous as compared with the cities and larger towns

where the large industrial users are located, and where electric power is available for domestic stokers. However, even in the smaller centres, the installation of automatic stokers by small industries, hotels, hospitals, banks, schools, and other institutions, and by private individuals where practical, is on the increase, and will no doubt expand when this equipment again becomes more freely available. Fuel for automatic stokers has to be carefully selected to ensure satisfactory performance in the different types of underfeed and overfeed equipment, and the delivered cost of the fuel and relative heat values are also important factors in determining the kind of coal to be supplied. In recent years, and especially during the operation of the Commonwealth Air Training Plan, automatic stokers were installed in large numbers at Air Training Schools and other Military establishments in Western Canada, and the Government took large tonnages of small size coal from the various domestic coal fields. This made it difficult to obtain adequate supplies for domestic and commercial uses, and our retail dealers had largely to depend on us to maintain contact with the various sources of supply. Now that many of the Air Force and Military training centres are closed, the problem is to find markets for the surplus production of some of the mines.

BY MR. FRAWLEY - Some of the mines I suppose expanded to meet that very heavy demand at these training centres?

A. I have not heard of their crushing down the larger sizes,

BY THE CHAIRMAN - They didn't expand production, but there were other new mines opened up.

BY MR. FRAWLEY - I was wondering how bad that situation was, that service production which was created to go to these training centres, which business will now completely disappear 100%.

A. To my knowledge I don't know of any Alberta operator that crushed coal, they crushed coal in Saskatchewan sometimes, they crushed them down from the larger coals.

BY COMMISSIONER MORRISON - They increased production in the existing mines?

A. Of the small sizes. Some of them, yes.

BY MR. FRAWLEY - But I am speaking of the fact that they did increase production to supply those centres?

A. They did their best to increase, but the trouble has been shortage of supply.

Q. That is what I understood. To what extent is it a problem now? They undertook new development.

A. No, it was a case of the Government coming in with a lot of new installations and taking over a large portion of the regular production of the stoker sizes from the mines, thereby cutting down the amount available for domestic and commercial uses. That made it difficult when we got an order for a few cars of stoker coal, it was hard to get shipment.

Q. Now you say there is a problem?

A. That released a great proportion of the stoker coal that the Government was taking, it takes away that outlet from the mines, and the situation at the moment is, I think, that the mines, some of them are hard pressed for stoker orders.

BY COMMISSIONER McLAURIN - They were hard pressed for stoker orders before the Government built the plants?

A. Yes.

Q. It just means that they are back where they were before?

A. Yes.

BY MR. FRAWLEY - And that can be met by crushing the coal to the stoker size?

BY COMMISSIONER McLAURIN - They don't have to. The Government built a lot of these plants with burning equipment that would use the fines, and now that these places are closed down, that market for those natural fines does not exist to the same extent.

A. Right.

Q. They didn't rush the mines into the crushing proposition, they built things which would burn fines which were produced in the natural mining of lump coal.

A. Yes.

BY MR. FRAWLEY - They are where they were before then?

A. Yes. What we need is more stokers.

Q. And you think with that the problem will be pretty well cleared up?

A. With more stokers, as they are used they will demand more and more coal, and the demand will meet the supply. I would not like to predict further than that.

MR. WAEGANT continues brief

The general question of quality and comparative values of the different kinds and ranks of coal which are produced in Western Canada is given considerable attention. We have obtained and endeavor to keep up to date, a complete file of the analysis of all the various coals, especially those produced for domestic heating purposes, together with any other essential data with respect to friability, stocking qualities, reaction to draft control, comparative heat values, and the general suitability of the coal for the purposes for which it is intended. This information is of great value to the retail dealers in deciding which kinds of coal are most suitable to handle and offer to their customers in different districts, having regard to transportation costs, price of the coal and the satisfaction the consumer will obtain. It is particularly essential at times when shortage of supply of the brands regularly handled makes it necessary to look for substitute fuels.

BY MR. FRAWLEY - Is not most of this work done by your constituent members, the people to whom you sell the coal?

A. We assemble it and supply the information to them.

Q. You have no outside men, field men? Have you any outside men?

A. No.

Q. The Occidental Coal Company, and I am not speaking critically, consists of an office organization in the City of Winnipeg, and in Calgary?

A. We have no office in Calgary.

MR. WAEGANT continues brief.

During the war years the services of Occidental Coal Limited have proved to be even more valuable to both the Operators and the retail dealers. The shortage of supplies, brought about by loss of manpower and consequent lowered rate of production, has created a difficult problem in arranging shipments to country points where coal is urgently needed to combat the rigours of the Western Winter.

Coal from the major domestic fields is in short supply, and is now being distributed on a quota system.

BY MR. FRAWLEY - I cannot understand that, because when I saw the Drumheller, some of the mines are now on 2 or 3 days a week, and getting ready to let their men go in a short time. A. I am talking of the annual production. That is the situation now, but I don't think it will be for more than a few weeks, before that will right itself.

Q. What will put it there?

A. We are receiving a very nice volume of orders. We are taking quite a tonnage.

Q. From Drumheller mines?

A. Yes.

Q. You don't think they will suffer the seasonal set-back in 1945?

A. They will for a while. Some of the mines are running short time now. That is lack of orders, but I think it should soon remedy itself.

MR. WAEGANT continues brief.

Production of the more popular brands under current wartime conditions is inadequate to meet the needs of consumers, and shipments have to be carefully and equitably distributed in order to avoid acute fuel shortages at the numerous points which have to be serviced. If there were no distributing agency to handle this problem, each mine would have to attempt to keep in constant touch with all the individual retailers to ascertain which of their orders should be shipped first. The rotation of

shipment, how much tonnage should be shipped to each dealer, the time of shipment and intervals between shipments, would be very difficult to handle, especially at long range, and from our knowledge of the distribution problem we can safely say that the result would be confusion, and much dissatisfaction on the part of our retail dealers.

This service is performed by Occidental in a manner which, we believe, gives satisfaction to both the Mine Operators and the retail dealers.

Occidental Coal Limited negotiates with the Operators for a share of their available production.

BY MR. FRAWLEY - Let me interrupt you. Does Occidental buy across the board from all the mines, or have they selected affiliates?

A. We don't buy from every mine, but we do buy from a great number of them; the tonnages vary.

Q. I don't mean to suggest that you should buy from all, but is there any distinction? You have no particular favorites?

A. Oh yes, wherever we have the best arrangement it is a great inducement for us to try and get tonnage for that mine.

Q. But you have no financial arrangements with any of the Western mines?

A. You mean any investments?

Q. Yes?

A. No.

Q. Or have you made advances to any of them, or anything of that sort?

A. No.

Q. So you are quite at arm's length with each and every mine operator from whom you buy coal?

A. Yes.

MR. WAEGANT continues brief.

The total tonnage so arranged for is re-distributed by Occidental to our retail dealers on a basis which assures,

as far as is humanly possible, that each one receives his proper proportion, and daily contact is maintained with the retail dealer to ascertain where his proportion of the available supply is most urgently needed, and which orders should be filled first. This information is then assembled and preference lists are prepared and forwarded regularly to the respective mines, giving them the rotation in which orders are to be shipped and spacing shipments as evenly as possible for each dealer. This assures the retailers of their proper share of the available tonnage and fair treatment as regards time and frequency of shipments, as well as relieving the mines of a tremendous amount of work. The responsibility is assumed by Occidental by whom it can most efficiently and effectively be handled.

BY COMMISSIONER McLaurin - These last two or three paragraphs relate to short supply situation?

A. Yes.

Q. And it is a service, that particular service you are stressing, is short supply service?

A. Yes.

Q. Such as we have had existing in the war years?

A. Yes.

Q. And it got bad in the Fall of 1932?

A. Yes.

Q. W. J. Taylor went to Calgary?

A. Yes.

Q. And is he not the fellow that is really doing the job, if there is anybody that stabilized the picture and made sure that people got their coal, and doing it in a way that is reasonably satisfactory? Isn't he the man that should get the credit?

A. I agree with you, he did a magnificent job under most adverse circumstances.

Q. And is still doing it?

A. Yes, but he is not havint to arrange shipments as he did

then, before these quotas were arranged.

Q. He has a record of every car shipped, and if anyone gets greedy with coal, he says no, direct that somewhere else, and gets in touch with you?

A. Yes, and we co-operation with him in any way we can, and we find him very nice to get along with.

BY MR. FRAWLEY - I would like to know something about the Occidental. If this is purely a war time story you are telling us, I would like to know what you do in peace time.

A. I have dealt with that on pages 3 and 4.

Q. I might have been a little stupid about it. I was thinking of this as a normal operation.

A. This whole matter of distribution is what we do, selling and distributing coal, it is what we put our time at.

Q. But all these services that you are giving, negotiating with operators, and arranging tonnage?

A. That is a wartime condition.

BY THE CHAIRMAN - This Company was not in business during the hard days.

BY MR. FRAWLEY - In 1936 they started.

BY THE CHAIRMAN - The country was in a fairly prosperous condition in 1936.

BY MR. FRAWLEY - Saskatchewan certainly was down pretty low in 1936. Well, anyway, I will re-read it carefully in the light of trying to separate your normal operation as distinguished from your short supply operation.

MR. WAEGANT continues brief.

Every effort is made by Occidental to keep coal moving from producer to dealer and consumer throughout the whole twelve months of the year, whereas formerly production and sales were seasonal. With the co-operation of our retailers we have been successful in securing for the mines, in the major domestic fields of Western Canada, more than our normal share of orders for shipment during the off season in the Spring and early

Summer when many other dealers have practically discontinued the purchasing and storing of coal. We have thereby helped materially to keep the mines in production and their miners employed on a year round basis.

BY MR. FRAWLEY - You do say then that Occidental has done something to cure this evil of the Western domestic mines, namely, no production at all apparently in the Summer time.

A. Yes, in co-operation with our retailers we have done a little better job than some other people, I think, in supplying orders for Spring and early Summer.

Q. Then you must have limited that to certain of the mines?

A. No, I would not say there was any definite arrangement except as I mentioned to you before, the nature of our arrangement with the mines for selling their coal is a considerable inducement to us as to which mines, on whose behalf we will make the greatest effort.

Q. If you out and say, yes we do, we do that with Midland and Red Deer perhaps rather than others, I would like to know that. If you did this work and spread it equally over all the mines, there would still be a seasonal operation.

A. We try to sell coal for the mines with whom we have a satisfactory arrangement.

Q. Can you put those mines on the record, with whom you are able to circumvent and get around this seasonal operation.

BY COMMISSIONER McLAURIN - All he is saying is that he has not done away with the evil, but he is saying that during this time when the people are coal conscious, he has an improvement in the situation over what it was.

A. Our normal effort is directed of course to the mines where we have the best arrangements, but I think I would like to correct that, the mines in Drumheller generally on whom we are dependent during the Fall and Winter for a supply of coal, we try to help all those mines during the Spring and Summer. That is the actual fact. We are looking to them for a certain

proportion of their output on a year round basis. In the Spring time if they ask us for help, and to try and take some extra coal in that period, we do try to help them.

Q. Are those just certain mines that look after you well in the burning season?

A. That goes practically across them all, because with every mine we have a quota.

BY COMMISSIONER MORRISON - You say it goes across the Board from Miller Valley?

A. I said practically.

Q. I have in mind companies of which it is alleged that other wholesale companies have exclusive selling rights to their coal.

A. Where a mine has an exclusive wholesale agency, we have to deal with that agency.

BY MR. FRAWLEY - With the agency?

A. If the mine has an exclusive wholesale distributor.

BY COMMISSIONER MORRISON - Because there are those kind of mines in Drumheller?

BY MR. FRAWLEY - Then why go to that mine at all?

A. There is a demand for that coal.

Q. And then you cannot get it any other way?

A. Yes.

BY COMMISSIONER McLAURIN - Let us let Mr. Waegant finish reading this brief, and then I want to find out his set-up, and what his spread is, and who he deals with, and why. That is what I want to hear from Occidental.

BY MR. FRAWLEY - That is not in the brief, and I think it will have to be filed with us. I don't know whether Mr. Waegant can answer those questions just off-hand.

BY COMMISSIONER McLAURIN - If I may make a suggestion here Mr. Chairman - I would suggest that Mr. Waegant be allowed to finish his brief, and I have been waiting for two or three months to find out what the picture is. I am not saying it is illigitimate, but I would like to know.

BY MR. FRAWLEY - I was just thinking we would have to have that in memorandum form.

MR. WAEGANT continues brief

In spite of practically continuous operation the lower rate of production does not furnish sufficient tonnage of the regular domestic brands to meet the increased needs and demands of consumers. Alternate sources of supply have to be sought out, and in this we are able to be of service to our retailers by saving them the time and trouble which they would otherwise have to devote to searching individually for substitute fuels.

We have always endeavored to co-operate to the fullest extent in arranging to supply coal where it was urgently needed, and in turn we have received from the Coal Controller and his Regional Officers every courtesy, assistance and consideration in solving our mutual wartime problems.

Efforts have also been made in the distribution of coal to arrange shipments to districts most accessible to the various producing fields, to obtain the benefit of the lowest possible freight rates, and generally to help as far as possible in relieving the strain on transportation facilities and assist in conserving Railway equipment. At times coal from certain fields has been diverted from one district to another in order to take care of emergency conditions.

For example, Northwestern Saskatchewan is largely dependent on the Drumheller field for its supply of better grade domestic coal. Formerly wood fuel was also used extensively and the shortage of wood in recent years has helped to increase the demand for coal. The Drumheller field has been unable to cope with the additional demand, and there has been no other coal of comparable quality or even lower grade coal in sufficient volume to supply this territory at economical freight rates. In order to alleviate this condition, Drumheller coal has been diverted at times from points in Southern Saskatchewan and shipped to the more

Northerly points. The Southern points were supplied partly from the Souris field in Saskatchewan, and partly, after they got into production, from the stripping mines in Southern Alberta, where the freight rates made this practicable. Likewise the territory into which Souris coal (Saskatchewan Lignite) can be shipped has been greatly expanded in times of emergency in order to release Alberta coal for shipment into districts where the haul is shorter and freight rates more favorable. This is another problem in the solution of which a well informed Wholesale dealer, like Occidental Coal Limited, can render valuable service and assistance to retailers.

We have given the members of this Commission the foregoing outline of our activities as the result of a request received from your Secretary. We have no specific recommendations to place before you, as our business is confined to the Prairir Provinces where conditions are relatively stable. We do not mean to suggest that no further improvements are possible, but in our opinion the troubles which beset the domestic coal Operators centre chiefly around the need for wider markets, rather than the lesser problems of distribution in the Prairie Provinces.

We feel that we are performing a valuable service both to the Mine Operators and the Retail Dealers, by assisting the former in the sale and distribution of their coal, and the latter in obtaining suitable supplies of fuel for the farming communities of the West, and are confident that we can continue to successfully perform this service to the benefit of all concerned - consumer, Retail Dealer and Mine Operator.

OCCIDENTAL COAL LIMITED

(sgd) R. C. Waegant,

Manager.

BY COMMISSIONER McLAURIN - Mr. Waegant, I understand, or I have heard, and I may have it all wrong, that in fact as a Wholesale Purchasing Agent your spread would perhaps amount to more than 25¢, more than some lesser retail dealer. Naturally,

if I were the lesser retail dealer, I would feel hurt. I am not for a moment suggesting that you are not entitled to it, but would you mind just giving us your set-up. I may be misinformed.

A. Well if you are speaking of a retail dealer in comparison with Occidental, Occidental is a wholesaler.

Q. Don't you do better than some Wholesalers?

A. I don't know, because I don't know what their arrangements are. My problem is to make our arrangements with the different Operators, and they have never disclosed to me their arrangements with others.

Q. I have heard lots of people in the trade talk of 25¢ advantage that Occidental get.

A. Over what?

Q. Over other Wholesalers.

A. I would not make that claim myself.

Q. I am saying, I have heard it said by the Trade. Is it a fact?

A. I can't tell you without knowing what kind of deal the other Wholesalers have. I don't think it is true.

Q. Give us a sample. You buy at the mine. What is your spread? What is your rate?

A. They vary.

Q. Give us a typical fair sample.

A. In the Drumheller in normal times the standard rate is supposed to be 35¢ a ton, the wholesale commission.

Q. And in the trade you call it a commission, although you are the purchaser of the coal?

A. Yes.

Q. And your spread would be 35¢?

A. Yes, where you can go and make that arrangement with the mine.

Q. What about the other grades, stoker and all the way down?

A. It would go down with the grades. You don't get as much on the lower grades as on the top grades; you don't expect that, because they have a lower price.

Q. And you operate at a profit, and your members benefit because you do an efficient business?

A. We are an Incorporated Company and the profits belong to the Shareholders.

Q. This brief we had from Federal Grain, was from a retailer's point of view?

A. That is right, they were describing the retail operation.

Q. And Osler Hanna, can they buy on as good terms as you can?

A. From the Mines?

Q. Yes?

A. Oh yes, I fully expect they can.

Q. Take Alberta Pacific Grain. Are they in your group?

A. No.

Q. They are not a shareholder of Occidental?

A. No.

Q. And they have lots of retail coal outlets?

A. Yes.

Q. And in their relations with the Mines, they would be a wholesale purchaser?

A. I cannot speak for them.

Q. Don't you know enough about what is going on with your competitors to know if that is true or not?

A. Whether or not that company would claim to be both a wholesaler and retailer? I wouldn't like to say.

Q. Would you not assume that they were buying at a wholesale rate?

A. I would assume they would get a pretty good price.

Q. Would their operation not be virtually a wholesale operation? They would probably have a couple of hundred coal sheds?

A. I would not call it wholesale comparable to Occidental Coal. If they are both Wholesaler and Retailer, that would imply that they buy as a Wholesaler and sell to themselves as a Retailer, which does not seem to me to make sense.

Q. They would not have to do that. Would they not be able to buy at a wholesale rate and get the 35¢, and they have their proper charges for their retail services the same as anybody else.

A. I have no information on that.

Q. I don't want to be unfair. That is all you can say about it?

A. Yes.

BY MR. FRAWLEY - I don't want to be critical about it, but is it not just throwing words around to say that you are a Wholesaler and Parrish & Heinbecker are a Retailer. Are you not just their buyer?

A. No. We sell to them.

Q. They could go out to Drumheller and buy coal, but you go and buy it because you can buy a little better than they can?

A. We are an entirely separate company.

Q. Locally you are, but are you not practically Parrish & Heinbecker's wholesale buyer of coal?

A. They, and the other firms.

Q. And Parrish & Heinbecker, by getting in on this Occidental deal, get a better spread than if they went to the mine at Drumheller and bought, because volume comes into it?

A. They participate in that.

Q. And it is because of your big volume that you get this 35¢ spread?

A. Not exactly.

Q. And because you are also a cash customer?

A. You approach a mine, and if they give you that deal, they expect orders.

Q. Are you not just about the best kind of customer that a Minn in Drumheller could expect to see? You buy largely, and pay cash, and ever prepay. What can be better than that.

A. I would not contradict that.

Q. So you would get about the best spread going?

A. That is exactly what we attempt to obtain.

Q. And you think you don't get any better spread than say the U.G.G. for instance, which has to buy and sell its own coal?

A. I really can't answer that because I don't know their arrangements.

Q. Do you think the U.G.G. get 35¢ margin? And if they don't they are not very astute.

S.

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R. C. Waegant

A. Roughly I would say we are probably on a par. I know they operate a tremendous line of retail sheds, and I have no doubt they make satisfactory arrangements.

Q. They sell a lot of coal, do they not?

A. I believe so, but I don't know.

BY COMMISSIONER MORRISON - These shareholders, do they hold equal blocks of stock in this Occidental?

A. They each own stock.

Q. I asked you if they each owned equal blocks of stock.

A. No.

BY MR. FRAWLEY - But their privileges in this company and the services they get are not measured by the stock they hold?

A. No.

Q. The man who owns the smallest block of stock gets the same deal?

BY COMMISSIONER MORRISON - I expect the fellow with the larger amount of stock gets a little more profit, or is it determined on the amount of coal they take?

A. I would prefer not to answer that in a public hearing.

BY MR. FRAWLEY - If it would happen that Federal Grain Ltd. would own say 75% of the stock, they would get 75% of the profits by and large, would they not?

A. No. This is really getting into a rather intimate matter of our confidential business.

Q. If one of these companies owns 75% of the stock, then at the end of the year's business, when you are declaring a dividend, they would get 75% of the profits? That is a pure bit of arithmetic.

A. Yes, that is what they would be entitled to.

Q. But suppose that one of these companies was just in your company as a shareholder and no more, just held 2 or 3 shares, they participate in this service you have outlined just as fully as the large shareholder?

A. Yes, we give the small man the same service as the big man.

Q. And sell him the coal at the same price?

A. Yes.

S.

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R. C. Waegant

Q. If the ABC Company owned 90%, you would not give him a better deal in selling his coal supplies?

A. We charge them all the same price.

BY COMMISSIONER MORRISON - You told Mr. Frawley if ABC Company owned 75%, they would at the end of the year receive 75% of the profits?

A. Of the net profit.

Q. Suppose a Company, ABC, with 75% of the stock, only gave you 3% of the business of the company; and XYZ supplied you with 75% of the business of the Company but only owned 3% of the stock, how would he fare?

A. I would prefer to cover that subject in a separate submission rather than in a public hearing.

BY MR. FRAWLEY - You are privileged to do that, but surely the man who owns the stock gets the profit if you are a Joint Stock Company? You are not one of those Wheat Pools we have been hearing about?

A. No.

BY COMMISSIONER MORRISON - You don't give patronage dividends?

A. No, but you do have to take into consideration trade discounts that they would be able to secure.

Q. They don't all pay the same price then?

A. Yes.

Q. Then the fellow that only buys 3% gets the same trade discount as the fellow that buys 75%?

BY COMMISSIONER McLAURIN - Trade discounts have nothing to do with net profits. The only way you can get this is trade dividends, then you do pay something to somebody from a fund which is not part of the net profits.

A. That is right.

BY MR. FRAWLEY - I don't understand that. You are a Joint Stock Company, and if ABC Company owns the big part of the stock they get the big part of the profits; but if XYZ Company gives you most of the business, what difference does that make? They don't own the stock.

BY MR. A. E. HOSKIN - As Mr. Waegant has said, his Company, the Occidental, would be very glad to furnish the Board with the private information as to just how these operations, when it comes down to the end of the year, are carried out. I don't think, gentlemen, it would be fair to ask us to tell our business at a Public Hearing like this, but if it will be of assistance to the Commission, we will be very glad to file that information.

BY MR. FRAWLEY - That will be fine, and it will clear up the confusion in my mind.

BY COMMISSIONER MORRISON - I think Mr. Frawley might prepare a questionnaire and send it to your company, and if you don't give us enough information the first time, we can always come back.

BY MR. FRAWLEY - There are a few other things, Mr. Waegant. Do you have an off-season price any less than the burning-season price?

A. No.

Q. It is all the same?

A. Yes.

Q. You heard Mr. Anderson tell us that the Saskatchewan Government stepped into the picture with respect to Souris coal, and the maximum there is 10% of the buying price.

A. That is the usual allowance to the wholesaler.

Q. There is no such coiling as that in Alberta?

A. No.

Q. You are just as much subject to that as in Saskatchewan?

A. Yes.

Q. What percentage of your business would be country business, farms and village houses, and so on?

A. The Retailers know more about that than I do. They don't do very much in the way of industrial business.

Q. We will get that in a questionnaire. I had in mind to ask you about margins and selling prices, but we will include all

that in the questionnaire. Thank you very much Mr. Waegant.

MR. F. RASMUSSEN takes the stand, and presents -

Exhibit No. 166 - Brief on behalf of Brotherhood
of Locomotive Engineers.

BY MR. RASMUSSEN - I want to make an apology for Mr. Evans,
General Chairman of the Brotherhood of Locomotive Engineers,
who is not able to be here.

BY MR. FRAWLEY - You will present both briefs on it?

A. Yes.

MR. RASMUSSEN then reads Exhibit No. 166, as follows:-

Brief submitted on behalf of the Brotherhood of
Locomotive Engineers, and Brotherhood of Locomotive Firemen
and Enginemen, Canadian National Railways, Western Region.

The above named organizations represent the interests
and views of approximately 2,500 Engineers, Firemen and Hostlers
engaged in locomotive service on the Canadian National Railways,
Western Region, in the territory extending from Port Arthur and
Armstrong, Ontario, to Vancouver and Prince Rupert, British
Columbia, and who during the past twenty-five years have, in the
performance of their duties, handled all grades of bituminous
and semi-bituminous coals furnished for use on locomotives on
the Canadian National Railways, Western Region, by the:

Brazeau Collieries	Alberta
Coal Valley Collieries	"
Cadomin Collieries	"
Kay-Dee Collieries	"
Luscar Collieries	"
and	
Mountain Park Collieries	"

in addition to coal from the collieries in the U.S.A.

Our only objective in appearing before this Royal
Commission on Coal is with the view of placing before the
Commission our experience with the coal furnished by the afore-
mentioned Alberta collieries.

The following is a copy of a submission prepared by

by a Special Fuel Committee, consisting of members of the Brotherhood of Locomotive Engineers and Brotherhood of Locomotive Firemen and Enginemen, Canadian National Railways, Western Region, all of whom have had years of actual working experience with the products of the aforementioned Alberta collieries. This submission, coupled with their recommendation, was presented to and concurred in by the respective General Committees of the Brotherhood of Locomotive Engineers and Brotherhood of Locomotive Firemen and Enginemen, convened in the City of Winnipeg, Manitoba, March 6th to 21st, 1945.

BY MR. FRAWLEY - Is there a separate brotherhood for the C.N.R. and a separate one for the C.P.R.

A. No, the same for Engineers and Firemen, but they function separately. Each Railway has its own Grievance Committees. The C.N.R. have three separate general Grievance Committees, one for the West, one for the Central Provinces, and one for the Atlantic Region, but they are all separate, by themselves, although they work in conjunction with one another. The same with the C.P.R.

Q. But they set up separate Grievance Committees to deal separately with the two Railways?

A. Yes.

MR. RASMUSSEN continues brief.

REPORT OF SPECIAL FUEL COMMITTEE

Subject: The low quality of fuel furnished by the Alberta Collieries for use on locomotives on the Canadian National Railways, Western Region.

Origin of Problem

This question has been before the various Committees, in some form or other, as long as Western Canadian coals have been used. The exigencies of the war economy have magnified it, but cannot be accepted as a complete excuse for it.

Nature
of
Complaints

We find that where coals are mined in the Alberta fields, which comprise grades from a full bituminous down to those bordering on lignite, there is an abundance of coal suited to locomotive use. Therefore, with the exception of one or two mines, the complaints do not centre on the basis of low quality of the seams, but on the separation of the various grades taken from the seams.

During the winter months, when the demand for commercial fuel is highest, the Railways receive the screenings which contain a large percentage of non-combustible material, this at a time when the difficulties of railway operation are at their maximum. This condition fluctuates with the demand for commercial coal, so much so that we find material separated by the cleaning plants, and which would ordinarily be discarded, is passed on to the Railways. While Inspectors are employed at the mines, it is evident that they are lax in their duties, as fuel is often found unsuitable when it reaches the tenders of locomotives.

BY MR. FRAWLEY - What kind of Inspectors? Are those Railway Inspectors?

A. I don't know who pays these Inspectors. I know there are Inspectors up here but I can't tell you whether they are under the control of the Railways or the Mines.

MR. RASMUSSEN continues brief.

It is also found that when complaints are registered through our General Chairman's offices with the Management of the Railway, or when test runs are being conducted, coal having higher heat units is delivered temporarily. It is also very noticeable that when a slight improvement is made in the quality of coal from one mine, the coal from another mine in the same area depreciates. This would suggest complete understanding between the mine operators.

The result of this consistent variation in the quality of coals furnished by the collieries is increased labour for the firemen, greater difficulties for the engineer and the members of the train crew in endeavoring to handle tonnage trains with a minimum of steam pressure, plus the overcoming of delays, occasioned through the excessive cleaning of fires, dumping of ash-pans, etc.

Cause of Problem

It is generally conceded that coal from the Alberta fields, of a mine-run grade, properly cleaned, can be efficiently used on hand-fired and stoker-equipped locomotives. It is therefore apparent that the cause lies in the arrangements under which the natural products of the mines are shipped to the Railways, who unknowingly accept the by-products from the preparation of fuel for commercial buyers. When the loss of efficiency, the excess volume consumed, delays to trains, etc., are taken into consideration, it is doubtful if this form of trading is mutually profitable.

Recommendation

We, therefore, recommend that the General Chairman of the Brotherhood of Locomotive Engineers and the Brotherhood of Locomotive Firemen and Enginemen, Canadian National Railways, Western Region, make a frank presentation of this subject to THE ROYAL COMMISSION ON COAL at the first possible opportunity. (Sgd) FUEL COMMITTEE, BofLE & BofLE&E Approved of by the General Committees in convention, March 21, 1945. BY MR. FRAWLEY - I am just wondering about that last paragraph. I was wondering why it should not read that it be presented to the operating officers of the C.N.R.

A. Because the General Committees had come to the conclusion, whether right or wrong, by this time, that it was quite evident that the Railways had been unable in the last number of years to find a solution for that problem.

MR. RASMUSSEN continues Brief

In preparation of the foregoing submission a few of the complaints registered with the respective General Chairmen,

were considered and investigated by the Fuel Committee, and found to be substantially correct. They are herewith reproduced.

1. With the inferior grades of coal furnished mostly during the months of August, September, October, November, December, January, February and March each year, the consumption of coal in freight and passenger service in numerous instances is doubled. On subdivisions in freight service of from 130 to 145 miles, the consumption of these inferior grades of coal varies from 15 to 20 tons a trip.
2. This excessive amount of fuel, particularly when placed on hand-fired locomotives, adds enormously to the already arduous duties of both the fireman and engineer, in that every effort must be made to maintain the schedule running time of trains, the continuous use of the poker to loosen up the material lying in the fire-box, in order that it may burn, the frequent stoppage of train to clean fires and dump ash-pans, the increased consumption of water, etc., all of which has a detrimental effect upon the physical condition of the enginemen, while such additional arduous duties must be performed regardless of the elements of weather, i.e., the terrific heat of the summer months and the intense cold of the winter months when there is an additional heavy drain on the steam pressure for the heating of passenger coaches.
3. During the months of September and October, 1944, on several occasions trains had to be set out in passing tracks between Edson and Jasper, Alberta, due to the lack of coal. Coal consumption - 15 tons in 50, 60 and 70 miles.

BY MR. FRAWLEY - Those would be freight trains, I suppose?

A. Yes.

MR. RASMUSSEN CONTINUES BRIEF.

4. Concerning Brazeau coal, I have taken -

BY MR. FRAWLEY - What does that "I" mean?

A. That is our representative from Mirror, Alberta. He has worked up there on that district for over 20 years.

MR. RASMUSSEN continues brief.

4. Concerning Brazeau coal, I have taken this coal from the tipple at the Brazeau Mines continually for the past 20 years, and where needless to say the best quality of this coal should be obtainable. However, there is always an excessive percentage of fine coal, in powdered form, that goes through the fire-box and smoke-stack unburned, leaving the heavier impurities to remain in the fire-box. During the past winter (1944-45) we have hand-shovelled through the fire-box door eleven tons in one hundred miles with a 70% train, and the fault could not be attributed to either the locomotive, the engineer or the fireman.

Dealing with Brazeau Briquettes, briquetting of this grade of coal reduces stack loss. However, there appears to be an insufficient amount of the "binder" mixed with the "fines" to produce an efficient briquette, resulting in large quantities of fines being released from the "briquette rollers", all of which is shipped out with the briquettes and, being of a brittle nature, due to the lack of sufficient binder, a large percentage of the briquettes revert to their original powdered form through the loading into and out of box cars. Recently a car of briquettes was picked out at random, containing supposedly, eleven tons of briquettes. However, when the fines were separated from the briquettes, the results were two-thirds "briquettes" and one-third "fines".

BY MR. FRAWLEY - What was the date of that?

A. In September of 1944.

MR. RASMUSSEN continues brief.

Our experience during the past twenty years with Brazeau Coal is that in its powdered form it is too light for

use on locomotives, either hand-fired or stoker-equipped.

While the percentage of briquettes supplied for use on locomotives is regulated by the orders on hand at the mine from purchasers not connected with the Railways, the greater the commercial orders the greater the drop in the percentage of briquettes supplied the Railways for locomotive use.

In view of the foregoing we earnestly request that the Commission give favorable consideration to the enactment of the following:

- FIRST: The necessity of a regular and uniform supply of the best quality and grades of locomotive fuel procurable from the collieries located in the Province of Alberta the year round.
- SECOND: It is just as essential that the best steam coal procurable be placed on tenders of railroad locomotives as that the highest grades of gasoline be reserved for military and commercial aviation.
- THIRD: That more rigid supervision over the shipment of steam coal for use on railroad locomotives be enforced either by the Dominion or Provincial Government Authorities.

Respectfully submitted,

(Sgd) A. E. Evans

General Chairman,
Brotherhood of Locomotive Engineers.

(sgd) F. Rasmussen

General Chairman
Brotherhood of Locomotive Firemen & Enginemen
Canadian National Railways, Western Region.

Winnipeg, Man.
April 24, 1945.

BY MR. FRAWLEY - You say the percentage of briquettes supplied for use on locomotives is regulated by the orders on hand at the mine from purchasers not connected with the Railways, and the greater the commercial orders the greater the drop in the percentage of briquettes supplied the railways for locomotive use. So you hope there will be always lots of commercial buyers so that the locomotives won't get them at all?

A. If they are properly made we hope that the orders from the commercial buyers will diminish and we will get more. Because briquettes is a good steam coal.

BY COMMISSIONER MORRISON - Eben when made with Brazeau coal?

A. Yes sir.

BY MR. FRAWLEY - What I would like to say to you is, has this complaint with respect to the uniformity of the coal to the C.N.R., has it been brought to the attention of competent operating officers whose business it is to deal with such matters?

A. These complaints have been registered continuously for the past ten years with the Fuel Agent for the C.N.R. and the General Superintendent of Motive Power.

Q. Where does he live?

A. Winnipeg, and with the Superintendents of Motive Power in the various districts of Vancouver, Edmonton, Saskatoon and Winnipeg. There is a General Superintendent of Motive Power, and the Superintendents.

Q. And you say nothing was done?

A. No. I say that we believe that they have sincerely gone after this thing here, but they have failed to find a solution to this problem. They will go to one mine and while investigating there, it breaks out in another place. It is a continual complaint.

Q. It is too large and they cannot compete, and the coal continues to be unsatisfactory for locomotive use?

A. That is what it appears.

BY COMMISSIONER MORRISON - You mentioned Mountain Park Collieries, you are not saying that that coal is of inferior grade? Are you suggesting that you are getting an inferior grade of coal from that mine?

A. Yes, we do, occasionally.

Q. What do you mean, how often?

A. Mostly in the winter months of the year. That is when our big problems are, and that is when we get these poorer grades

S.

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F. Rasmussen

of coal. Those are the months of the year that we should be getting better grades.

BY MR. FRAWLEY - You almost suggest that the Operators are getting together to put it over the Fuel Agents?

A. We suggest that.

BY COMMISSIONER MORRISON - Do you suggest that?

A. Yes, we do.

Q. You do?

A. Yes.

Q. You make that charge?

BY THE CHAIRMAN - It was an inference, I think.

BY MR. FRAWLEY - I asked him if he suggested it?

A. It is a suggestion.

Q. This is a pretty powerful Brotherhood, is it not?

A. It is a large Brotherhood. I would not say it is what you would call powerful.

Q. It is International, is it not?

A. Yes.

Q. Has this reached the stage of being submitted to the Head Office of your Company in the United States?

A. No, we do all our own business here in Canada.

Q. And have the particular officers of this Brotherhood taken notice of this complaint?

A. I am the head officer for the Western Region.

Q. Is there somebody superior to you?

A. Yes, Vice President for the Dominion of Canada, in Lindsay, Ontario.

Q. Where is the President?

A. In the United States.

Q. This has not reached the President?

A. No.

Q. Or the Vice President?

A. No. Because we don't refer questions to him until we fail to get results.

BY THE CHAIRMAN - Do you suggest that this Union should cease to be an International Union, Mr. Frawley?

BY MR. FRAWLEY - I would not care to say.

BY MR. FRAWLEY - I am almost inclined to think - this has been going on for ten years and nothing much has been done about it. I don't want to deprecate it too much, but I cannot think it is terribly important if you have not insisted on having something done about it.

A. We have insisted, but how far do you want us to go.

BY THE CHAIRMAN - Perhaps this is one of the things that will prevent the Railways from giving cheaper freight rates West. They may say we are getting bad coal and it takes a long time to take the freight from the Pacific.

BY MR. FRAWLEY - We might arrange something that they could use this poor coal on the empty cars coming back. Thank you very much Mr. Rasmussen.

(Page 2956 follows)

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Exhibit 167 - Brief of Winnipeg Electric Company

MR. A. H. HARRIS proceeds to read Exhibit 167:

In accordance with the request of March 5th, 1945, of your Commission Counsel, J. J. Frawley, we beg to submit the following information on our By-Product Coke Oven Plant, which is the source of the manufactured gas supply of our company.

BY MR. FRAWLEY: I don't want to prevent this brief getting before the Commission; far from it. Perhaps I should say, though, in view of the Commission's intention to conduct a coke survey through which we will get the submissions and the story of all of the coke manufacturing plants in Canada I am just wondering if this needs to be put on the record as all of the production and distribution briefs have been put on.

BY COMMISSIONER McLAURIN: It might be put on the record. If Mr. Harris doesn't think it discourteous I would suggest he didn't read it.

BY MR. FRAWLEY: Our investigator will be seeing Mr. Harris and perhaps will get more information. Although we had a similar one in Vancouver it is just a little out of line.

BY COMMISSIONER McLAURIN: Find out what Mr. Harris says.

MR. HARRIS: I have a few remarks in here with respect to the source of our coal supply which I think is very much within the province of this hearing. I would like to bring them before you.

BY MR. FRAWLEY: Do you mean you would like to emphasize that without putting the whole brief before the Commission?

MR. HARRIS: I can skip over those.

BY MR. FRAWLEY: All right, just carry on, and then you can emphasize the source of your coal.

MR. HARRIS continues brief:

1. This plant was built in 1924, and commenced operation on August 17 of that year.

2. It consists of a 17-oven battery of Koppers-Becker small gas ovens, each 20 feet long, 12 feet high, average width $13\frac{1}{2}$ inches. Each oven has a coal capacity of 6.8 tons, and produces approximately 5 tons of coke. No additions have been made to the plant since it commenced operations.

The ovens can be underfired by part of their own coal gas production, or by producer gas made from coke, in an adjacent 10 foot diameter Koppers-Kerphey gas producer. Operating at capacity, the plant produces approximately 2.5 million cubic feet of gas per day, 40% of which can be used for underfiring the battery, or any part of this 40% can be released as additional surplus gas by underfiring varying numbers of the 18 heating walls by producer gas.

We have a stand-by 4 million cubic foot per day, 10 foot diameter Western Gas Construction Company water gas set, also using coke whenever its operation becomes necessary. Operation of this plant, however, has not been required except for several short emergency periods.

3. The objective of our operation is primarily the production of gas, and up until 1938, a minimum tonnage of coke was produced and consequently coal consumed, to meet requirements. Since that date, except for two short periods, the plant has been operated at maximum coke capacity, consuming approximately 200 tons of coal per day, and producing in the neighborhood of 140 tons of coke.

4. From the commencement of operations until 1933, the plant was operated on imported American gas coal, which varied in laid down cost during that period, from \$7.26 to \$7.95 per ton. In 1930 to 1933, at the instigation of the Dominion Fuel Board, experiments were made in the use of 100% Michel "B" Seam slack coal, originating in Michel, B.C., and sold by the Crow's Nest Pass Coal Company. These experiments apparently proving successful, the imported coal was eliminated in 1933, and the plant operated on 100% Michel "B" Seam slack coal through 1937. In 1936 and 1937, it became necessary

to practically rebuild the oven battery, which had been damaged to considerable extent by the expanding qualities of Michel coal during the coking process. Other factors, not pertinent to this report, likewise entered the situation and Michel coal was not entirely to blame. Since the rebuilding, however, no more than 40% Michel coal has been used in the coal mixture at any time. During the repair periods in 1936 and 1937, some American gas coal was used to maintain the production in the reduced number of ovens operating, and considerable water gas was likewise produced during this period.

A coal mixing plant, completed early in 1938, enabled proper mixing of two different coals from that point on. The use of Mountain Park slack, from the Mountain Park Coal Company, Mountain Park, Alberta, was commenced at that time and made up 65% of the coal mixture, with Michel "B" Seam slack the remaining 35%. At various times during 1935, and again in 1937, small tonnages of Cadomin air-cleaned slack were tested, produced by the Cadomin Coal Company, Cadomin, Alberta. While this coal was satisfactory from a coking and gas production standpoint, its high ash content and the inability of the Cadomin Coal Company to produce a low enough low ash coal in any sufficient quantity, ruled this mine out of our picture.

Both Mountain Park and Michel slacks were air-cleaned. The use of Mountain Park continued until 1942, when railroad demands for this coal at a higher price than we could afford to pay, and the Mountain Park Coal Company's refusal to continue to clean the coal, forced us to search for another supply. About this time, the Coal Creek mine at Fernie, B.C., of the Crow's Nest Pass Coal Company, was reopened and slack from this mine was substituted for Mountain Park until the mine was forced to close down in June of 1943, due to a repetition of slips or "bumps" in the mine.

Another entrance to the Coal Creek seam was reopened by the Crow's Nest Pass Coal Company, and the use of this coal was continued until November, 1943, although its ash content was much too high for the manufacture of good coke. During all this period from 1938 on, Michel made up 35% of our mixture.

About this time the need for Western Canadian coal on the West Coast in both Canada and the United States caused the Coal Controller to take 50% of our total tonnage of Western coal away from us, for which imported American gas coal was substituted. The mixture then became Michel "B" Seam slack 27½%, Coal Creek 22½%, American gas coal 50%, this last consisting of various grades of Alma Seam and Elkhorn coals, the Alma being much the better coal. All this imported coal was purchased through the Empire-Hanna Coal Company of Toronto and Winnipeg, with the approval of the Coal Controller's office. The increased cost to us, laid down in Winnipeg, of this American coal has been made up by subsidy authorized by the Wartime Prices and Trade Board. The last of this coal should be consumed approximately April 30th, 1945, and at that time we will return to the use of 100% Western Canadian coal.

During the period from November 1943 to date, the Crow's Nest Pass Coal Company has developed its Elk River property at Fernie, B.C., with varying amounts of Elk River slack being substituted from time to time in place of the Coal Creek coal. This development has now reached a point where the Coal Company expects to satisfactorily fill our entire requirements for some time to come.

BY MR. FRAWLEY: When you say you go back to 100% Western Canadian coal, is the Coal Controller going to divert the Crow's Nest Pass coal that he has been sending to the Pacific coast back to you?

MR. HARRIS: Well, he has made coal available to us. Just where it has come from I really can't say.

WINNIPEG ELECTRIC COMPANY, GAS UTILITY

Net Cost of Coal - August 1st, 1933 to December 31st, 1944.

Period	Kind	Supplier	F.O.B. Mines	Freight to Winnipeg	Gross Cost	Subvention	Net Cost	Tons Purchased	Average Net Cost for Period
Aug. 1, 1933 to June 15, 1934	Michel B Seam Slack	Crow's Nest Pass Coal Company	\$3.00	\$5.20	\$8.20	\$1.20	\$7.00	43,072	\$7.00
June 16, 1934 to Aug. 15, 1934	"	"	3.00	5.20	8.20	.70	7.50	8,457	7.50
Aug. 16, 1934, to July 16, 1935	"	"	2.85	5.20	8.05	.70	7.35	49,086	7.35
July 17, 1935 to June 13, 1936	"	"	2.75	5.20	7.95	.70	7.25	49,467	7.25
June 14, 1936 to April 24, 1937	"	"	2.57	5.20	7.77	.52	7.25	44,846	7.25
April 24, 1937 to June 13, 1937	Cadomin Slack	Cadomin Coal Company	2.65	5.30	7.95	.52	7.43	8,000	7.43
June 14, 1937 to July 1, 1938	Wharton Lane Run	Koppers Coal Company	4.34	3.30	7.64	-	7.64	55,000	7.64
July 1, 1938 to Dec. 31, 1940	Michel B Seam Slack	Crow's Nest Pass Coal Company	2.75	5.20	7.95	.52	7.43	56,600	(
	Mountain Park Slack	Mountain Park Coal Company	2.40	5.30	7.70	.52	7.18	113,400	(7.26
Year 1941	Michel B Seam Slack	Crow's Nest Pass Coal Company	2.85	5.20	8.05	.40	7.65	23,810	(7.65
	Mountain Park Slack	Mountain Park Coal Company	2.60	5.30	7.90	.25	7.65	46,800	(
Year 1942	Michel B Seam Slack	Crow's Nest Pass Coal Company	2.92	5.20	8.12	.12	8.00	24,000	(
	Mountain Park Slack	Mountain Park Coal Company	3.09	5.30	8.39	.39	8.00	27,851	(8.00
	Coal Creek Slack	Crow's Nest Pass Coal Company	2.82	5.30	8.12	.12	8.00	19,396	(

Net Cost of Coal - August 1st, 1933 to December 31st, 1944 (continued)

Period	Mine	Supplier	F.O.B. Mines	Freight to Winnipeg	Gross Cost	Subvention	Net Cost	Tons Purchased	Average Net Cost for Period
Year 1943	Michel B Seam Slack	Crow's Nest Pass Coal Company	2.92 #	5.20	8.12 #	.30	7.82 #	22,000	(
	Mountain Park Slack	Mountain Park Coal Company	3.25	5.30	8.55	-	8.55	1,655	(
	Joel Creek Slack	Crow's Nest Pass Coal Company	2.82 #	5.30	8.12 #	.30	7.82 #	42,000	(
	Alma Mine Run	Empire-Hanna Coal Company	6.75 #	3.30	10.05	2.01	8.04	5,032	(
	Michel B Seam Slack	Crow's Nest Pass Coal Company	3.32 #	5.20	8.52 #	.30	8.22 #	19,800	(
Year 1944	Coal Creek & Elk River Slack	"	3.22 #	5.30	8.52 #	.30	8.22 #	16,100	(
	Elkhorn Mine Run	Empire-Hanna Coal Company	7.60 #	3.30	10.90	2.68	8.22	10,340	(
	Alma Mine Run	"	7.95	3.30	11.25	3.03	8.22	35,000	(
									(

- F.O.B. Cars Fort William - American Coal

- Increase of 50¢ per Ton over 1943 Western Canadian Mine Prices, to \$3.42 for Michel and \$3.22 for Coal Creek, per Ton, authorized by the Maritime Prices and Trade Board about December 1st, 1943, and reduced .10 per Ton to \$3.32 Michel and \$3.22 Coal Creek on April 1st, 1944.

6 - 23,567 Tons used to December 31st, 1944, remainder will have been consumed by April 30th, 1945.

Gas Utility Office,
April 5th, 1945.

2459

GAS SENDOUT, COAL CHARGED, COKE PROCURED, USED AND SOLD (Continued)

For the Years 1934 - 1944 Inclusive.

			<u>1939</u>	<u>1940</u>	<u>1941</u>	<u>1942</u>	<u>1943</u>	<u>1944</u>
<u>GAS PRODUCTION</u>								
Gas Sendout per Month M.C.F.								
	January		53,538	56,266	60,558	62,790	71,309	68,059
	February		53,400	51,079	56,353	59,156	62,329	68,457
	March		54,101	51,658	58,852	57,778	70,221	72,060
	April		45,913	47,732	52,675	53,884	60,722	59,289
	May		42,233	44,796	49,216	53,063	57,556	56,905
	June		35,965	38,568	42,784	44,654	51,204	51,778
	July		31,095	35,049	39,360	40,914	44,890	46,503
	August		35,013	38,028	39,495	42,643	45,925	46,207
	September		41,111	40,745	46,357	48,171	52,531	48,417
	October		46,242	46,616	51,433	53,107	54,476	53,752
	November		47,400	54,475	54,065	57,875	61,995	59,001
	December		49,760	56,938	59,606	64,740	66,694	63,856
	Year		535,771	562,350	610,754	638,775	699,852	694,284
<u>Average per day M.C.F.</u>								
	January		1,727	1,815	1,953	2,025	2,300	2,195
	February		1,907	1,761	2,013	2,113	2,226	2,360
	March		1,745	1,666	1,899	1,864	2,265	2,324
	April		1,530	1,591	1,756	1,796	2,024	1,976
	May		1,362	1,445	1,588	1,712	1,857	1,836
	June		1,199	1,286	1,426	1,488	1,707	1,726
	July		1,003	1,131	1,270	1,320	1,448	1,500
	August		1,129	1,240	1,284	1,375	1,481	1,571
	September		1,370	1,358	1,545	1,606	1,751	1,614
	October		1,492	1,504	1,659	1,713	1,757	1,734
	November		1,580	1,816	1,802	1,929	2,066	1,967
	December		1,605	1,837	1,923	2,088	2,151	2,060
Average per day per year M.C.F.			1,468	1,536	1,673	1,750	1,917	1,897
Maximum day M.C.F.			2,144	2,222	2,386	2,536	2,756	2,690
<u>COAL PRODUCTION</u>								
		<u>Total</u>						
Coal charged per year-tons		675,797	59,250	58,478	70,610	71,248	70,690	71,785
Coal produced	"	465,771	40,670	39,886	49,028	50,506	50,105	49,657
Used in gas producer	"	52,947	4,941	5,451	4,162	4,560	6,556	5,543
Production available								
for sale	"	412,824	35,729	34,435	44,866	45,946	43,549	44,114
Annual sales - tons		425,300	32,288	40,229	59,660	46,058	43,392	42,545
Breeze produced-tons		46,446	3,987	3,364	4,028	4,624	5,339	5,506
Used by Company	"	6,932	630	1,083	1,073	634	612	96
Available for sale	"	39,514	3,357	2,281	2,955	3,990	4,727	5,410
Sold to Northern Public								
Service Corp. Tons		37,349	3,008	2,682	2,737	4,862	3,374	4,776

Statistical Department
March 13th, 1945.

WINNIPEG ELECTRIC COMPANY
GAS SENDOUT, COAL CHARGED, COKE PRODUCED, USED AND SOLD
For the Years 1934 - 1944 Inclusive.

<u>Gas Production</u>	1934	1935	1936	1937	1938	
<u>Gas Sendout Per Month M.C.F.</u>						
January	45,600	52,469	53,856	62,294	51,438	
February	41,082	45,774	54,669	54,163	44,729	
March	45,258	49,742	54,860	54,995	46,253	
April	40,976	42,993	50,507	48,380	40,474	
May	36,426	37,819	42,122	41,745	39,129	
June	32,331	32,599	37,901	37,146	34,002	
July	30,523	27,906	32,006	32,509	30,402	
August	31,684	31,325	34,776	32,838	32,813	
September	35,880	36,068	37,952	38,160	37,187	
October	39,534	41,835	44,303	43,481	40,642	
November	40,335	49,951	49,841	45,541	47,271	
December	48,003	51,889	54,401	51,669	50,721	
Year	467,632	500,370	547,194	542,921	495,061	
<u>Average per Day M.C.F.</u>						
January	1,471	1.693	1,737	2.009	1.659	
February	1,467	1,635	1,885	1,931	1,597	
March	1,460	1,608	1,770	1,774	1,492	
April	1,366	1,433	1,684	1,613	1,349	
May	1,175	1,220	1,359	1,347	1,262	
June	1,078	1,287	1,263	1,235	1,133	
July	985	900	1,032	1,049	981	
August	1,022	1,010	1,122	1,059	1,058	
September	1,196	1,202	1,266	1,272	1,240	
October	1,275	1,350	1,429	1,403	1,311	
November	1,344	1,665	1,661	1,518	1,576	
December	1,548	1,674	1,755	1,667	1,636	
Average per day per year M.C.F.	1,281	1,371	1,495	1,487	1,356	
Maximum day M.C.F.	1,793	2,018	2,109	2,215	1,908	
<u>COKE PRODUCTION</u>	<u>Totals</u>					
Coal charged per year-tons	675,797	52,703	51,784	50,526	53,616	65,107
Coke produced per year "	465,771	36,162	36,552	34,732	35,391	43,082
Used in gas producer "	52,947	3,265	3,856	6,273	5,604	2,736
Production available for sale "	412,824	32,897	32,696	28,459	29,787	40,346
Actual sales - tons	425,300	32,395	33,612	39,145	29,479	26,497
Breeze produced - tons	46,446	3,774	3,639	3,431	4,237	4,517
Used by Company - "	6,932	541	366	703	657	537
Available for sale "	39,514	3,233	3,273	2,728	3,580	3,980
Sold to Northern Public Service Corp. - tons	37,349	-	6,162	2,635	2,117	4,996

Statistical Department,
March 31st, 1945.

BY MR. FRAWLEY: You don't know how he has solved his problem out there?

MR. HARRIS: No. (Continues brief):

The various costs entering into our coal supply are given in Exhibit A. Please note the subvention item in this table. In 1930, the increased cost of Western Canadian coal, due to the high mining costs and prevailing freight rates, required government assistance in order to reduce the cost of this coal to us, in line with current laid down prices of American coal. Otherwise it could not have been used. The next few years saw a reduction in mine prices, with the subvention reduced accordingly to keep our coal costs approximately the same, until the year 1943 caused this item to be "frozen" at 30¢ per ton for the duration of the war.

It will be noted that with the resumption of the use of American coal in 1943, imported coal costs had risen appreciably from those in effect 10 years ago, and it was necessary for the Princes Board to allow us an additional subvention in order to bring this coal in line with our current cost.

It takes approximately $1\frac{1}{2}$ tons of coal to produce one ton of coke. Consequently, an increase in coal cost requires $1\frac{1}{2}$ times that increase in the per ton price of coke. If mine prices and freight rates cannot be reduced from their present figures, it is essential that the present subvention of 30¢ per ton on Western Canadian coal be maintained, in order that we may continue to compete with imported American coke after the war.

5. Coal consumption and gas, coke and breeze production statistics for the years 1934 to 1944 inclusive are shown in the attached Exhibit B.

6. The entire coke production since the commencement of plant operations in 1924 has been principally for the local domestic market. Small tonnages are taken from time

to time by local foundries, although no effort is made to produce foundry coke as such. Various industries likewise find our coke useful in their operations, but again this tonnage is a comparatively small part of the total. Approximately 6% is used for foundry and other industrial use.

7. Coal tar is the only by-product covered in our operations. This tar is all sold to the Dominion Tar and Chemical Co. and shipped by tank car to their refinery in St. Boniface. As far as we know, it is refined into crude creosote and pitch coke, the former being used for wood preserving operations, principally railroad ties, and the latter sold for domestic or other use. Approximately 500,000 gallons per year are involved. Ammonia is removed from the gas, but for the past fifteen years or so, no effort has been made to recover it in saleable form, as the operation is too small to be profitable at the price obtainable in the open market.

No attempt has ever been made to recover the "light oil" or other benzol products, again due to the small amount that can be recovered.

8. The continued operation of this plant is entirely dependent upon our ability to obtain satisfactory low ash and low sulphur coals with proper coking and gas production characteristics, and at a price which will allow our entire maximum production of coke to be sold on the local domestic market, in competition with Algoma and imported American coke and either solid fuels, either Western Canadian coal, briquettes, or imported American domestic coals. Competition from American and Algoma coke has not been much of a factor the last four years, due to its absorption in steel plants in the United States and Sault Ste. Marie, Ont. With the inevitable decline in blast furnace operations after the war is over, the large war increase in by-product coking capacity, both in the United States and Sault Ste. Marie, will cause their operators to again seek Winnipeg as a market for their surplus coke production.

Practically all Western Canadian coals, as mined, contain too high an ash content for their manufacture into domestic coke, assuming that their coking and gas production characteristics are satisfactory. American coke comes into this market with an ash content of around 8 to 9%, with which we have to compete with present available coal supplies on a basis of 10 to 12% ash coke, and even a higher ash content at various times. This means a lower sales price for our coke in the neighborhood of \$1.00 to \$2.00 per ton, in order to ensure our entire production being sold each year. Consequently, with our gas sales prices being fixed by the Manitoba Public Utilities Commission, and coke sales prices fixed through the war years, our operations have failed to show any profit whatever after taxes and depreciation, for the past ten years.

Should subventions for any reason be discontinued, our loss would be increased by exactly that amount.

At present there are only two mines in Western Canada producing coal, satisfactory after cleaning, to our coking operation. These are Coal Creek (Elk River) and Michel, and both are owned by the same Company. While our relations with this Company have been most pleasant, it must be admitted that this is hardly a healthy situation from our standpoint. Other Western coals are available if properly cleaned, but to date we have found no other coal company of sufficient size and stability, who will make the effort to clean their coal to make it available for our use.

Our coking operations have a definite place in the industrial picture of Winnipeg. In addition to supplying manufactured gas for domestic, commercial and industrial uses, our production of 40,000 tons per year of a good grade of by-product coke is a definite factor in the Winnipeg district solid fuel market. Our combined gas and coke operations give employment to approximately 150 Winnipeg people, and in addition the coal consumed produces over \$360,000.00 revenue

freight per year for the railroads. With American coal definitely out of the picture, due to its high price for some years to come, if not indefinitely, efforts should be made to make available to us, additional tonnages of low ash coking and gas coal that will protect our operations against any interruptions from our present sole source of supply.

BY THE CHAIRMAN: Were you one of the companies that benefitted by the legislation of 1927?

A On the construction of our plant?

Q Yes.

A No. The plant was built in 1924.

Q And you got nothing in the shape of capital assistance or anything like that?

A No sir.

BY MR. FRAWLEY: What you say is, that while your relations with the Crow's Nest Pass Coal Company are of the very best you think it would be of advantage if you had another company that was in competition with them in supplying your needs?

A It would be an advantage in a business way and also in a physical way. In 1937, I believe it was, the Crow's Nest Pass Michel mine had a serious fire that shut them down for three months. That was before I came here but at that time the local company had to go into the American market and buy what coal they could to get by.

Q You can't use American coals here without government subsidy?

A Not at the present price.

Q You now get a 30¢ subvention. Just what is that?

A That has developed from the successful efforts made to introduce Western Canadian coal in our plant 10 or 12 years ago, at which time American coal was the cheapest. There is an order-in-council covering that. At the time, in 1942 I think it was, 1941, the question of our coke price against our coal price--the coal price went up. We couldn't do

anything about it; the Wartime Prices and Trade Board would not allow us to increase our sales price of coke, and they decided at that time to fix this 30¢ for the duration.

Q But the idea of it was to take care of your importations of American coal?

A True enough. To establish the selling price of our coke, that is what it really does.

Q But the American coal is out of the market now? The only coal you get is Fernie and Michel?

A Commencing approximately May 1st. We are still eating up the tag end of American coal brought in last year.

Q Will this subvention continue?

A It will continue for another year; the authorization has just been made.

Q That is really an assistance or a subsidy direct to your plant?

A Paid to the mine.

Q It is a subvention to assist Fernie coal to get into Winnipeg?

BY COMMISSIONER McLAURIN: It is a subvention to protect the ceiling.

BY MR. FRAWLEY: It is not now. It was originally.

MR. HARRIS: At the time Michel coal went in American coal was cheaper and this subvention started at \$1.57, I think it was, and it has since gone down to 30¢ as the Michel costs approached the then rising costs of American coal. At the time that the price ceiling went into effect we were then enjoying this 30¢ per ton subvention, because we could at that time have purchased American coal at 30¢ per ton less than Michel could sell it to us. Prices were frozen, and in order to maintain the then spread between coal and coke-- at that time we could have absorbed that 30¢ per ton if we could have increased our coke price.

Q And you can't increase that coke price yet?

A No. So they froze us right there: coal cost, so much and coke sale price so much, and the 30¢ per ton subvention

was continued.

Q Although the original reason for it has disappeared?

A Right. But until we have a free coke market where we can absorb that in our coke price ---

Q Just for the record, that order-in-council was P.C. 3637 of May 1, 1942.

BY THE CHAIRMAN: Outside of war years, your coking industry has received no assistance from the dominion treasury?

A Oh no, that is not correct, sir. We have had this subsidy on coal, that is all we have had, no assistance on the other.

Q 30¢ a ton?

A Yes. And when the American coal was supplied through the past year and a half, when the Western coal was taken away by the Coal Controller, we received assistance on the American coal then purchased.

BY COMMISSIONER McLAURIN: That 30¢ a ton, is it a reduction on the railroad?

A No, under the arrangement it is paid to the mines and they credit us with the equivalent amount,

Q Was that prior to price control?

A Yes.

Q It is part of the subvention assistance, special kind for industrial coal?

A Yes.

Q Paid through the Dominion Fuel Board?

A It was, yes.

BY MR. FRAWLEY: I think it might help the record at this point if I just read into the record what it is:

"That in respect to coal mined in Canada and used in the manufacture of coke or gas at any coke or gas plant in Canada, the Minister of Finance be hereby authorized to pay to coal mine operators or distributors in Canada, from such sums as may be provided annually by Parliament for the purpose, the difference in amount per net ton between the laid down cost to the coke over proprietor or gas manufacturer, of coal mined in Canada and the laid down cost at the same plant of imported coal that would otherwise be used, up to a maximum of \$1.00 per net ton of Canadian coal, subject to the following provisions."

That is part of that order-in-council?

A That's right.

Q And after the 1st of May, 1945, there will be no question of American coal coming in?

A No.

Q But the subvention is being continued as long as the ceiling continues?

A That's right.

BY MR. FRAWLEY: I omitted to ask Mr. Anderson a question with regard to the last part of his brief. Mr. Anderson, you say: "It is suggested that the market should be enlarged to the point where the available surplus can be disposed of either through shipments to Ontario, or south of the Canadian border." Now we did ask you some questions about Ontario. Would you mind saying a word about what you are doing and what you propose with regard to shipments south of the Canadian border?

MR. J. R. ANDERSON: Well, there is an area south of the border, North Dakota and Montana, that is served largely by the Head of the Lakes and Duluth, and I have never been able to find out very much about Western coals, whether any shipments have ever been made to that area, and I understand now that as the dock supplies are used up people require coal. You have Mr. Brodie there; I think possibly he might know something about it. We at the present time are canvassing it to try to move some of our surplus supplies of Canadian coal.

Q What kind of coal would you have in mind sending down there? Domestic coal?

A Yes.

Q There is no duty on it?

A No.

Q You are now canvassing that situation?

A Yes.

MR. F. H. NORD: I am reading this brief on behalf of Mr. Brodie, who has been in ill health for the past few days but he is here to answer any questions.

Exhibit 168 - Brief of Great West Coal Company Limited

MR. NORD proceeds to read Exhibit 168:

The Great West Coal Company Limited has been in business since 1908 as wholesale distributors, now handling Alberta and Saskatchewan coal. During the past fiscal year we distributed 1,089,000 tons.

History of Western Coal Markets:

When the company first started operations the western coal markets, starting at the Manitoba east boundary, were divided between Canadian coal production and American coal production, the American coal serving a major portion of the Manitoba market and a considerable portion, as far west as Moose Jaw, of the Saskatchewan market. Starting about 1912 a gradual change took place as between these two competing factors, resulting in the Canadian coal production gradually forcing the American coal further eastward.

During the last World War a very tight situation developed, insofar as coal supply was concerned, and this presented an opportunity for Canadian coal to enlarge its markets rapidly, due to the fact that the American production was required for war purposes. Starting in the summer of 1917 an embargo on all American coal was put in effect west of Winnipeg and the City of Winnipeg placed on fifty per cent American coal and fifty per cent Canadian coal. At this time our Company discontinued handling American products and have confined their efforts ever since to Canadian products. The net result of this condition enabled the Canadian coal producers to virtually capture all the market above described, which they have retained up to this date. The Winnipeg market, having been placed on a fifty per cent consumption basis, naturally was not converted as rapidly as points west of Winnipeg but, insofar as domestic or householder's coal was con-

cerned, this foothold continued to expand up to the point where American anthracite was practically a thing of the past.

Progress was also accomplished in the steam or industrial classes, although at a much slower pace. The Federal Government, in the year 1930, inaugurated a system of subventions into Winnipeg on coal for industrial and large block purposes. This subvention did not apply to householder's or domestic coal. Unquestionably the subventions accelerated the movement to the use of Western Canadian coal. The subvention rate started at 50¢ per ton for Saskatchewan and \$1.09 for British Columbia and Alberta. A reduction then took place gradually and in 1933 the subvention rate was 15¢ for Saskatchewan and 70¢ for British Columbia and Alberta. This was later adjusted to 25¢ for Saskatchewan and 52¢ for British Columbia and Alberta. Subventions were cancelled November 1st, 1939. At this time a very small tonnage of American coal was being sold in Winnipeg. We will always have a small tonnage of American products in Winnipeg, due largely to habit and, in a few instances, for special purposes.

BY MR. FRAWLEY: Let us put on the record the reason for that breakdown in the subvention rate, which started at 50¢ a ton in Saskatchewan and gradually went down until it was 15¢ in Saskatchewan in 1933 and increased to 23¢ in Saskatchewan. What caused that?

MR. JOHN R. BRODIE: I think the Dominion Fuel Board didn't really know how to equalize that situation without showing advantage to one field as against the other. The answer is there they were exploring or changing around without any real basis of plan.

Q. Was an experiment?

A. Well, the figures indicate that. I don't know how they arrived at it. That is the inference.

Q. You are not aware of any principle that put it up and down and up?

A No. I did have a session with the Dominion Fuel Board when they got it to 15¢ against 70, and the Board apparently realized they were doing an injustice to Saskatchewan field and made that last adjustment, which they apparently worked out on the freight.

Q When they lifted it from 15 to 23?

A Yes.

MR. NORD continues brief:

During the present war period, on account of short supplies, and the fact that the western coal producers were called on to take care of Pacific Coast requirements both in Canada and the United States, some American coal had to be brought into Winnipeg as a temporary expedient. Now that Canadian coal is again available, without question we will revert to pre-war conditions.

Our Company, having made an intensive study of the different classes of coal available over a period of years, found that the low-grade Saskatchewan lignites occupied a very strong position, insofar as economics were concerned, within a certain freight-rate area. We therefore entered into an arrangement for a supply of coal from the Saskatchewan lignite field starting in 1930. In that year the total Saskatchewan lignite sold in Greater Winnipeg amounted to some 30,000 tons. In the past season the total Saskatchewan lignite coal sold in Greater Winnipeg amounts to 575,000 tons, out of an estimated total consumption for Greater Winnipeg of 950,000 tons.

The first efforts made in connection with this coal was to investigate, by research and experimentation, the most suitable type of equipment to burn this coal at a high efficiency. After having satisfied ourselves as to the actual economics to be effected, we then made a survey of Greater Winnipeg to see what economics over-all could be effected. Our estimate at that time (the latter part of 1930) indicated that there was a million dollars a year being wasted in Greater Winnipeg, through burning expensive coal inefficiently, that

could be saved by installing equipment designed to burn lignite coal in an efficient manner. The position today is that \$600,000 of this estimate has been actually accomplished, but there is still approximately \$400,000 savings yet to be effected, on a relative basis, by installing proper equipment. During the war period, progress in this direction has been all but halted, due to lack of equipment.

The results above obtained were only accomplished through a great deal of effort over a period of years. The engineering and scientific study to utilize the natural coal available for this market was applied with very successful results. Combustion science has made very rapid advances during the past ten to fifteen years. At one time, if a steam plant burning Saskatchewan lignite coal secured an efficiency of 30%, that was considered highly satisfactory. In those days combustion theories were based on false premises, as it was the general accepted idea that the boilers should be as close as possible to the grates, thus getting all the heat possible from the coal. Today, the steam plant that had a 22 inch to 25 inch space between the grates and the boilers, has a minimum of 75 inches between the grates and the boilers, and on upward, depending on the size of the unit. This largely increased combustion space, under modern conditions, burns practically all of the gases which heretofore escaped in the shape of black smoke or wasted fuel. We have plants today in Winnipeg that have reached an efficiency of 76%. In other words, we are getting $2\frac{1}{2}$ times more heat out of the coal than 30 years ago.

The general accepted practice is to base the value of fuel on the British Thermal Units. This is a fair guide but by no means final. The real acid test of economies to be effected, with any type of fuel, is how much water a pound of coal will evaporate and the cost. We have plants producing steam in the City of Winnipeg, not on any special set-up test but over one month's average, showing a cost of 27.1 cents per thousand pounds of steam. This is a new accomplishment within

the past few years and will raise steam cheaper than waste load electric power, especially where you have a steady load.

When you see black smoke coming from a chimney it is almost a certainty that this indicates gross inefficiency or waste, and is much more prevalent in Eastern Canada than Western Canada, due undoubtedly to the lack of coverage by the producers, or their agents, respecting the proper methods of combustion or the necessary equipment to secure same. The idea that all coal is black and is placed on the market without any scientific coverage has been, heretofore, general practice. Here in the West, due to the great range of different qualities of fuel produced, interest has unquestionably been centered in the matter of proper combustion equipment and, therefore, rapid advances have been made in combustion science.

The greatest handicap at present is to secure high class Combustion Engineers for work of this description. They are simply not available and we have come to the conclusion that we must train our own engineers. Our Company had planned, prior to the war, on a policy of engaging as salesmen men who were qualified Combustion Engineers. We had selected four young men who were just graduating and proposed sending them for a post-graduate course to either Denver or Boston because this course is not available at any other university. This plan was entirely disrupted, due to war conditions, as the boys are all "active". We hope to be able to carry this plan into the post-war period.

The success as outlined above, respecting Saskatchewan lignite, is due entirely to the methods applied in development of modern combustion methods and is a fair example of what should be accomplished in other fields.

Householder's or Domestic Market

The trend, insofar as householders are concerned, is to have the most convenient form of heat and the first step along this line was the development of the stoker, . . .

burning certain small sizes. This method of heating a home has developed tremendously in the past few years but unfortunately, although the stokers mechanically were sound, the early stokers produced showed no signs of efficient combustion methods. This is gradually being corrected to a point where a very high efficiency is now being secured by certain stokers. This however, in our opinion, is just a step forward, and on account of the fact that these stokers cost approximately \$300 per home, it is far too expensive for the average home owner. In addition, anything of a mechanical nature is liable to break down. It is our opinion, with further research now under way, that a new form of heating the home with coal will eliminate this expensive equipment and at the same time increase the efficiency and convenience substantially.

BY MR. FRAWLEY: As the situation is now, while we are waiting for what you call a new form of heating, is the stoker size of Saskatchewan lignite used successfully in domestic installations in Winnipeg?

MR. BRODIE: Oh yes.

Q 100% Saskatchewan lignite?

A You have a wide range of stokers here, I would say off-hand 25 or 30 types. Some of them will not burn Saskatchewan lignite but need a high percentage of bituminous coal, but we have other stokers that are burning 100%. I consider that stoker has reached the pinnacle of achievement because the natural coal to burn here is Saskatchewan lignite, therefore the equipment should be designed to burn that coal 100%.

Q And there is equipment now in use that will burn Saskatchewan lignite 100% in the domestic field?

A Yes, and also in the industrial.

Q I was thinking of the home. You think you can make just as much progress in the stoker market as you have done in this perhaps larger field where you have brought down the cost

of 1,000 pounds of steam to 27.1 cents?

A I would qualify that by stating that there is a saturation point you will reach with the home-owner, that is the people who can afford \$300 stokers. You are going to reach a point where you have completed that job and then your lower brackets, he can't afford this \$300 stoker, and then it is going to stop at that point. You are not going to go clean across the City of Winnipeg with this equipment. And the equipment now being developed will make it possible for every home-owner in Winnipeg to buy the cheapest coal on the market.

MR. NORD continues brief:

Fuel Wood and Fuel Oil

These two competitive factors will be with us indefinitely and all the coal trade can do is to meet this situation by developing equipment that will be just as convenient and less costly. It is necessary, however, to enforce the anti-dumping laws on fuel oil.

Our opinion of the western markets is that coal is produced in every Province, with the exception of Manitoba, and all are captive markets, as far as the Manitoba eastern boundary, for the western coal producers without assistance of any kind from the Federal Government.

Ontario Market under Subvention:

When the Government first initiated subvention into Ontario coal was very plentiful, and strong competition existed in every direction. Great enthusiasm existed amongst Alberta operators and salesmen were dispatched in large numbers into Ontario, practically all of whom had no experience in the development of new markets and far less in meeting American competition. In a few weeks the return trip started, all disappointed and disillusioned over the Ontario market. Inside four months not a single western coal salesman remained in Ontario and about the only thing accomplished was the

appointment of one or two agents. Our Company persisted in its efforts, opened an office in Toronto, and gradually built up a business in Ontario which eventually proved very valuable to our mines in Alberta.

Over a period of years, covering Ontario cost our Company considerable money, but we could see continuous progress and, in due course, this territory carrying itself. Just about the time we had reached this point, other Alberta companies woke up to the fact that Ontario was developing rapidly and reinvaded the Ontario market, which was bound to affect our immediate tonnage, at least temporarily, but in the long run benefit us because the effect of competition with approximately the same product helps to accelerate and expand the market. We have estimated, allowing for reasonable increase in tonnage, which can easily be exceeded, that in five years our Company will have recovered the initial losses sustained in opening up the Ontario market and from there on reasonable compensation for our efforts.

The subvention policy of the past, being only for year-to-year, was a great handicap and this should be corrected to a term of at least ten years. Long range efforts could then be established, which would bring about much more rapid expansion.

Last subvention year we marketed 40,000 tons and it can be stated that, had we not secured this additional tonnage at least one of our mines could not have survived the pre-war period.

It is our opinion that there is a tremendous market available to western coal producers, by Government assistance to overcome the very high freight rates. We have already demonstrated that, progressively, this market can be enlarged to substantial proportions. During the peak of the depression freight rates were lowered on the American side, at the instigation of the United States Government, to assist the coal

BY MR. FRAWLEY: It is the same story. They will reduce when they are threatened with competition.

BY THE CHAIRMAN: Who was threatened with competition?

BY MR. FRAWLEY: Competition by water as against rail.

MR. BRODIE: I am not criticizing the justice of the move.

I am simply stating the fact that that is what happened.

BY THE CHAIRMAN: I think it is a very fair subject for criticism, if the Dominion Government is going to pay out money on one side and take it away on the other. It kills competition, at any rate.

MR. NORD continues brief:

Customs Tariffs and Railway Tariffs:

We wish to draw the Commission's attention to the fact that customs tariffs are one method of protection but railway tariffs can be used much more effectively in prohibiting shipments entering from one country to the other. The fact that any trade agreements might be made opening up the markets should not be just confined to customs tariffs but the freight tariffs should be equalized.

During the last war we shipped coal down into Minnesota on account of the fact that there was a shortage of fuel, as the freight rates were not a factor. Subsequent to the war these same people who received our coal wanted to get more of it, and although we were able to establish a through-rate on Canadian lines to the boundary, from there on we were assessed on a fifth-class rate, local mileage, which proved prohibitive. This case was taken through to the Interstate Commerce Commission and a modification was ordered by the Board - in place of fifth-class matter it was rated as tenth-class matter.

On the other hand, coal coming up from Duluth or Minneapolis arrives at the boundary line, say at Emerson, and is hauled through to Winnipeg on a joint-line rate and the point is, when we go back over the same roads, although the

product originates from a different source, we are blocked at the International boundary line. If we had the same relative arrangement, then this obstruction would be removed.

Lignite coal has not customs tariff, being on the free list into both the United States and Dominion of Canada.

BY MR. FRAWLEY: Would it be a correct way to express this situation, that the Canadian railways fit in with the American railways by granting a through rate on the American coal coming in, but you found that the American railways did not co-operate with the Canadian railways when the movement was from Canada into the United States?

MR. NORD: That's right.

BY COMMISSIONER MORRISON: Would you give us a concrete example as to what it would cost to ship coal from a given point in the United States to a given point in Canada, and what the rate would be from the same point in reverse, coal going from Canada to the United States?

MR. BRODIE: What we think we should have is the same mileage per ton rate going back over the same road.

BY COMMISSIONER MORRISON: I agree with you, but can you give us a concrete example of what it costs to bring in a carload of coal originating in the United States, coming into Canada, and then the rate for a carload of coal originating in Canada and shipped back over the same line and ending at the originating point given?

MR. BRODIE: All coal has a special commodity rate to start with.

BY COMMISSIONER MORRISON: The point that you are trying to make is that if you bring coal in from a given point in the United States of America you can't ship back over that same line a carload of coal mined in Canada and land it at the originating point for the same cost?

MR. BRODIE: That is what we maintain should be done.

Q Does that condition exist?

A No. That is what I say: the rate going one way is different

from going the other.

BY MR. MATHESON: I think what Mr. Morrison wants is for you to take a rate say from Duluth into a Manitoba point, and then take the corresponding distance from say Estevan going in to a market in the States, have the same mileage.

Apparently that is what you have in mind, Mr. Morrison?

BY COMMISSIONER MORRISON: Yes, or make it the same point.

BY MR. MATHESON: It might be difficult because it might not be a coal originating point; it would not be.

BY COMMISSIONER MORRISON: Well, we have wholesale dealers here and they sell coal, and regardless of where it originates ---

MR. BRODIE: We tried to go back in across the same rail and we were faced with a 10th class matter rate, $2\frac{1}{4}$ cents per ton mile. Hauling it the other way I guess the average rate was $\frac{3}{4}$ ¢ per ton mile.

BY MR. FRAWLEY: Mr. Brodie has opened up the question for us. I think Mr. Matheson will have to pursue the question himself.

MR. BRODIE: I think that is a question for Mr. Matheson.

MR. NORD continues brief:

Coal Production and Marketing:

The coal industry is entirely different to any other type of production and consequently requires a very distinct scientific approach, not only to the mining of the coal but more particularly to the marketing and consumption of same, which can only be obtained by an intensive study and years of experience. We believe in free enterprise and constructive competition. Of necessity, those who wish to continue in the marketing end of the industry must keep up with scientific progress.

Respectfully submitted,

JOHN R. BRODIE, PRESIDENT,

GREAT WEST COAL COMPANY LIMITED.

BY COMMISSIONER McLAURIN: Going back to this joint line rate, they need a joint line rate in Ontario? It is necessary and desirable from a Canadian point of view?

MR. BRODIE: Yes, we have joint line rates in some parts of Ontario.

Q No, but for the movement of American coal into Ontario a joint line rate exists and is desirable?

A Exactly.

Q Then how are you going to abolish it in one place and have it in another?

A You have that condition, I am sure.

BY MR. MATHESON: There are some through rates from United States originating points into Canada, and then in addition to that there is the same rate from a certain district up to the border, the United States prairies as the prairies ---

BY COMMISSIONER McLAURIN: Oh, I understand the joint line rate but if you start making a deal with the railways, say "Gentlemen, the United States have a joint line rate for coal moving into Ontario," is it practical to garble the picture and say, "Boys, you get it for Ontario. You don't get it for Manitoba." It would seem to me, without knowing anything about the railways, they would say no.

BY MR. FRAWLEY: I think the complaint was, That is fine but that we haven't got that. Coal moving from Estevan down into North Dakota doesn't enjoy the same situation. The Canadians are willing to play along with the railways but the Americans won't play along.

BY COMMISSIONER McLAURIN: You will find in that brief a complaint that this joint line deal was made in Ontario, and subsidies at the same time.

MR. BRODIE: Yes, but the joint line rate--that is not quite correct--the joint line rate was established before that. It was a reduction in tariff, not rates. Previous to that there was joint line rates and then they were lowered,

due to probably water competition or some other matters that developed.

BY MR. FRAWLEY: You see on page 10 Mr. Brodie says what he experienced when he tried to get into Minneapolis.

BY COMMISSIONER McLAURIN: I understand that but there is a suggestion, I thought, in here that it was a mistake in Eastern Canada to do this.

BY MR. FRAWLEY: You say an application was made to our Board of Transport Commissioners. Have you got that reference at all? Do you know when that was made, by whom?

MR. BRODIE: I am speaking entirely from memory, but the thing that stuck out so completely to me it was the time, or shortly after the time, the federal government saw fit to have these subventions going into Ontario, and shortly after that the rates being lowered on the parts we were going into.

BY MR. FRAWLEY: I think you should find out about that.

MR. MATHESON: I think so too.

MR. BRODIE: The point I am making is, it didn't seem quite the logical thing to pay \$2.50 a ton in the shape of subventions to get into those markets and then after that had been established for the Board of Transport to grant lower rates for American coal. I am not informed on the basic arguments or the reasons why. I am just stating the facts. I think Mr. Matheson will have to explore that, the same as this rate here. There is no doubt some reason for paying so much going south here, and I have no doubt the Crow's Nest Pass rates are injected here.

BY MR. FRAWLEY: Would you mind filing with us a statement covering the extent to which you did move lignite coal into Saskatchewan?

A Into Winnipeg?

. Into Ontario. Oh, that wasn't lignite, that was Drumheller.

A We have moved some Saskatchewan lignite coal into the

western part of Ontario under that rate that carries 30% or a maximum of \$1. That rate should be carried on if there is going to be any assistance granted to Western Canada coal to get into the Ontario market, then we maintain that some assistance should be granted to Saskatchewan lignite to this little territory here to the east of us.

Q Provided you can have a certain freight rate you say you will ---

A We put coal into Dryden. In fact we put some in as far as Port Arthur, but whether that was an extraordinary situation or not I don't know. I think it was due to the stokers that will burn 100% and the odd carload goes down there for that purpose.

BY MR. FRAWLEY: That's all, Mr. Brodie.

MR. BRODIE: Well, gentlemen, there is one thing I would like to read into the record here. The purpose is to inform the Board on this Ontario market. I picked out three letters, one in the eastern part of Ontario, one in the western part and the other in the northern part. This is from Clarksburg.

BY COMMISSIONER McLAURIN: What is the date?

MR. BRODIE: April 6, 1945.

"Please ship as soon as possible one car of Rosedale lump coal. Rosedale lump is very popular here, and we are very glad to learn it is coming East again."

Now here is one from the extreme eastern part, Smiths Falls:

"I have been given to understand that you are going to be allowed to ship a certain amount of Alberta coal to Ontario this year. If so, I would ask you to book me for as many cars as you think it will be possible to ship, of lump size."

And then a telegram from the same firm: "We would prefer to be exclusive for after war reasons." That is from Sopers; they are quite large dealers. Part of our policy is

pick out one or two dealers in a town and say, you have this exclusively, and they get what we call an exclusive selling right for that particular area. Well, we have an order here in this case from another company, a competitor in this same district, and we wired Soper regarding this and that was his reply.

Now here is one from the northern part, up in Insonville, that is on that Iroquois branch going over to Iroquois Falls. This is written by a Frenchman and I will read it as he would say it:

Dear Sir:

"I wish for your company and all your workings men a very Good Year (this was written the first of 1944) and hope to see you back again before long to Ontario with your good Rosedale, one of the best coals obtain in Alberta. Since we are oblige to use United coal we got lots of trouble. Every two weeks every one using that coal are obliged to clean all their stove pipes and chimneys that gives lots of trouble.

"At every car I received from the State lots of People come to the car and ask me if it is Alberta coal, and when I answered it is United coal they turn and go away. That means we have lost a great thing when they stop your coal for Ontario. I hope with the new 1944 year we start to see your good Rosedale back to Ontario for good."

Now there is just a cross-section, gentlemen, and there is not any about in my mind that with reasonable assistance--I don't mean to set up an assistance that makes it so easy they have got to come to it. I think the assistance should be based on a rate that gives us a fair chance to go in there and battle for that coal. In other words, anything you are handed on a silver platter for nothing you are not going to think very much of.

BY MR. FRANKLEY: Is the present subvention satisfactory?

MR. BRODIE: I would say the present subvention, based on our own experience, is ample under present conditions. Now what post-war conditions are going to be is a different thing altogether. Your competitive situation may have changed, I mean the relative competitive situation between American and Canadian. Personally I don't think it will change; it might be more in favor of Canada.

BY MR. FRAWLEY: Would you go further and say that the subvention should be whatever amount the subvention should be to meet the laid down costs in Ontario of American domestic coals?

A No. I should think you would have to base it on the fuel value, taking into account the conditions under which the coal was burned. To make my point clear, in certain areas of Ontario where you have more or less of a mild climate, with your high carbon fuels such as American anthracite and coke you have got to keep a constant fire there and you can't check it down too close or it will go out. Now our coal you can regulate it almost down to nothing; you are not wasting any heat, and that I think counteracts the higher B.T.U.

BY COMMISSIONER McLURIN: You are giving us a sales talk as to why it should be bought or sold.

A That is an absolute fact though.

Q Mr. Frawley is putting you a question. What technique are you going to employ to move that coal?

A I have already taken the position that the \$2.50, under present conditions, is ample.

Q Suppose the conditions changed next year?

A Then I think it should be left in some form to cover those changed conditions.

Q No, no. You are the man who wants this market. I want you to be specific as to the kind of a formula. That is our job, to make a recommendation. We have got to get

assistance from the trade. You are saying this flat rate of \$2.50 is ^{not} enough? We have all sorts of suggestions. Some want it stabilized for 10 years at \$2.50 and they will take their chance. You say no, it should be flexible. If it is going to be something that is not stabilized at \$2.50 for 10 years will you please give us your formula?

A If I had to make a choice I would take the \$2.50 and leave it there.

Q You were suggesting there should be some other formula?

A That is only trying to guard against the unknown future in the shape of competition. It is possible that you might get American coal producers trying to recapture the market that we may take from them. That danger is there to a certain extent, very limited in my opinion, because if the anti-dumping laws are enforced fairly these birds can't do that.

Q Do you say that there should be stabilized recognition of the \$2.50 rate for 10 years?

A Exactly.

BY MR. FRAWLEY: You see there are just two ways to do it: the flat rate and the other one, just enough to displace the American coal. Between the two you would say it should be a flat rate stabilized for 10 years?

A Yes.

BY THE CHAIRMAN: Without any change in the 10 years in the \$2.50 rate?

A Well, of course that is reaching a long distance ahead.

Q That would give the man who is not anxious to bring down his costs a sort of lift. He says, "I don't have to reduce my costs or get any machinery. This \$2.50 is going to help me out." Do you think it would be wise to make it for a 10-year period?

A \$2.50 is the logical point. I don't think anything should be handed out that is easy. It means that the Western producers have to be up on their toes.

BY THE CHAIRMAN: There shouldn't be any danger of a company putting certain expenditures to capital expenditures rather than costs or income?

A. I think we have reached the point with that \$2.50 that anybody that is going to sit back in their chairs is not going to get any place. I think that is a healthy situation. If you play it too much one way or the other you are going to get stagnation.

. I think that is an answer to my question.

BY THE CHAIRMAN: I think I can say on behalf of the Commission that we have enjoyed our stay here very much, and I think we can all say too that we have received some very valuable information. One thing at least that gave me great pleasure was the brief--they call me the coke man, whether because I drink nothing but coke or because I am more deeply interested in coke than anything else--but I was deeply interested in the brief of the Winnipeg Electric Company. I think I can say as a general thing the briefs presented here were of a valuable style, informative style. I want to thank everybody who participated in these meetings, and so good-bye for the present.

1.40 P.M. - COMMISSION ADJOURNED

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